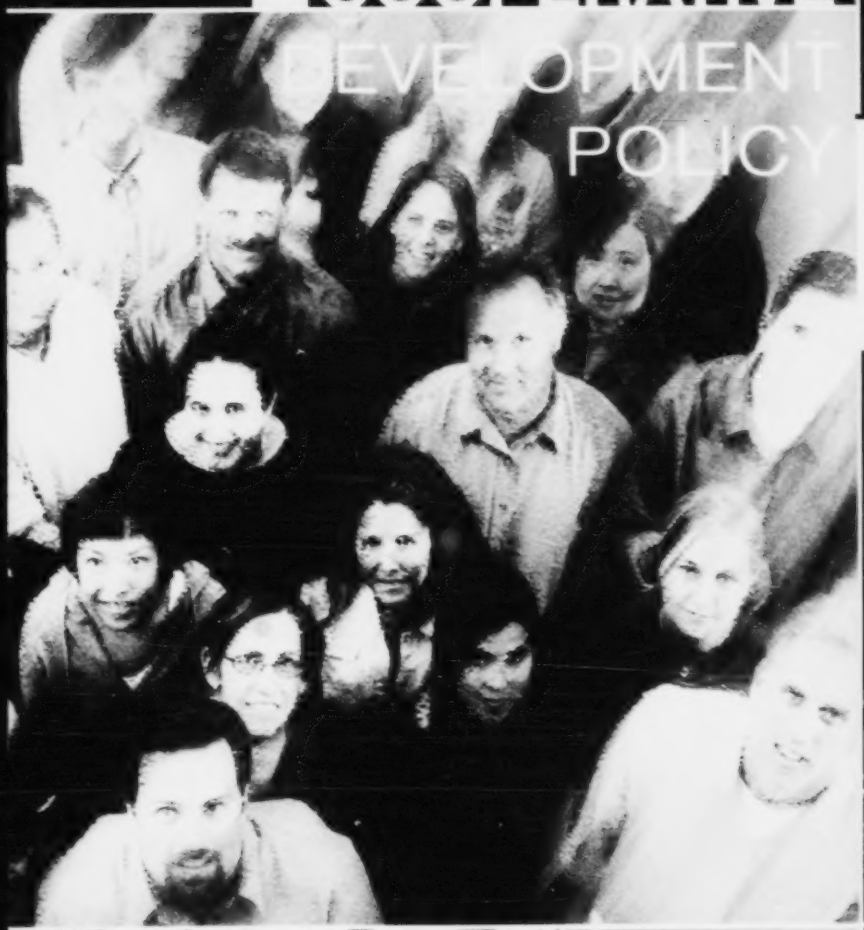
HORIZON 2005

COOPERATIVE DEVELOPMENT POLICY



WITH COOPERATION, EVERYONE IS A WINNER!

Québec

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HORIZON 2005

COOPERATIVE DEVELOPMENT POLICY

WITH COOPERATION, EVERYONE IS A WINNER!

Québec

Finances, Économie et Recherche
Québec

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MESSAGE
FROM THE DEPUTY PREMIER AND MINISTER OF FINANCE, THE ECONOMY AND RESEARCH

In December 2002, the Government of Québec launched the *En Route to Full Employment* Strategy. The Cooperative Development Policy derives directly from this ambitious, future-oriented action plan. Resulting from a partnership between the cooperative movement and the Government of Québec, the policy holds considerable promise for economic development and job creation.

In adopting the *Cooperative Development Policy*, the Government of Québec recognizes the role these enterprises play in ensuring the development and cohesion of Québec society. It was essential that this democratic, just, and caring formula, with its important benefits for the entire population, be given greater importance.

The Québec cooperative movement is recognized as one of the most dynamic in the cooperative sector, both in North America and worldwide. It has already proven that it is possible to think and act differently while remaining efficient and meeting essential needs.

The *Cooperative Development Policy* will ensure that these enterprises are better equipped to deal with the issues and challenges they currently face. In addition, these enterprises will contribute to the objective set by the Government of Québec in *Horizon 2005*, i.e., to achieve full employment for all Quebecers.

Cooperatives have always brought people and communities together to work toward a common goal, capitalizing on complementary skills and know-how to carry out major projects and create economic powerhouses in a number of sectors.

I therefore invite stakeholders from the cooperative sector and all socioeconomic partners to pursue their efforts by taking an active role in implementing the *Cooperative Development Policy*.

Together, we can help build a cooperative movement capable of tackling today's challenges with energy and vigor.

Pauline Marois

MESSAGE
FROM THE MINISTER FOR INDUSTRY AND TRADE

Cooperatives operate on principles of solidarity, democracy, and participation. This distinctive foundation creates a need for tools adapted to their needs. The *Cooperative Development Policy* outlines the main challenges cooperative enterprises face and, most importantly, proposes concrete measures and courses of action intended to accelerate their development and encourage their diversification toward promising growth sectors.

Nonfinancial cooperatives have already experienced remarkable growth in recent years. Between 1995 and 2000, the rate at which new cooperatives were being established doubled while the number of jobs these enterprises provided jumped by 46%.

Cooperatives are enterprises that last. A recent study found that cooperatives had a survival rate nearly twice that of private businesses after five or ten years in operation. With their democratic structure and virtually inalienable character, cooperatives have maintained and developed economic activities vital to Québec's vibrancy and dynamism.

The cooperative movement is changing as it adjusts to new social and economic realities, and new cooperatives sectors are emerging in response to specific needs.

In my view, this renewed vision, which has led the cooperative movement to diversify its outlook and focus increasingly on innovation, bodes well for the future.

The *Cooperative Development Policy* also takes into account the changing environment in which cooperatives operate by focusing on key strategic orientations and proposing appropriate tools.

Lucie Papineau

INTRODUCTION

Throughout the industrialized world, economic development revolves around three pillars: classic private enterprise, the public sector, and collective enterprise. Cooperatives are the most common type of collective enterprise.

Cooperatives, which differ from individual enterprises, allow for an original form of entrepreneurship rooted in the strength and collective interest of a group. However, cooperative entrepreneurship and individual entrepreneurship complement each other, because they target specific clienteles and often meet different needs.

With their mode of operation based on participation, cooperatives mobilize and encourage collective effort. They are, first and foremost, an association of individuals. People-oriented, they are also deeply rooted in their communities.

The various types of cooperatives generate significant economic benefits in areas where they operate. For example, members of agricultural cooperatives enjoy the best prices for inputs and also benefit from lower processing and marketing costs for their products. By the same token, workers who team up to form workers' cooperatives create their own jobs as well as share in business profits.

All cooperatives have an economic and social dimension, but some of them are more oriented toward a social mission, such as housing and home care coops. These enterprises make a direct contribution to quality of life by providing the public with essential basic services.

Deeply rooted in their communities, cooperatives are inextricably linked to local and regional development. Indeed, 75% of cooperative jobs are found outside of major urban centers. Moreover, they are largely concentrated in the manufacturing sector.

Cooperatives thus play a key role in the development of the resource regions. Forestry cooperatives are a convincing example of how this collective form of entrepreneurship has adapted by extending its reach to primary and even secondary processing of coop-harvested timber.

For decades, the cooperative movement has also served as an incubator for Québec entrepreneurship in numerous fields. School cooperatives continue to play an important role in this regard by providing young people with a hands-on introduction to the world of cooperative business. Youth services coops and "Jeune COOP" projects offer similar opportunities to teens by giving them a chance to learn all about operating and managing a cooperative microbusiness.

Because the qualities and special strengths of the cooperative formula have consistently benefited Québec society, the government would like to capitalize on these assets to help foster Québec's economic and social development even further.

In January 2001, the Government of Québec decided to draft a *Cooperative Development Policy*. The main goal of the process was to step up the growth of cooperatives by encouraging cooperative enterprises to diversify into new sectors, including growth areas[1] of the new economy.

Stakeholders from the cooperative movement were closely involved in drawing up the new policy.

In September 2001, two documents—a preliminary draft version of the policy and a briefing paper in preparation for the review of the *Cooperatives Act*—were officially released for the purpose of public consultations. All cooperatives, cooperative

1. Growth areas are those areas where significant growth is expected over the coming years and that generate substantial economic spinoffs (e.g., direct and indirect jobs).

associations, socioeconomic partners, and interested organizations and government departments received copies of the draft and the policy summary.[2] In addition, all major cooperative, private, and government partners received copies of the briefing paper.

The four main targets for action and the objectives identified in the draft policy drew strong support from the partners involved.[3]

The *Cooperative Development Policy*, which is intended first and foremost for cooperatives governed by the *Québec Cooperatives Act*—i.e., nonfinancial cooperatives—is resolutely modern in its approach, outpacing existing measures supporting the development of cooperatives in various other jurisdictions around the world. Its primary aim is to reaffirm the distinctiveness of cooperatives in the face of the new economic and social challenges Québec must deal with.

The policy is also in keeping with the recommendations of the International Labor Organization (ILO), which came out in support of cooperatives in June 2002. The international organization suggested that governments *"should provide a supportive policy and legal framework consistent with the nature and function of cooperatives and guided by the cooperative values and principles set out by the International Cooperative Alliance.*[4]*"*

The *Cooperative Development Policy* is a first in the history of the Québec cooperative movement. In addition to new approaches and the financial resources required for their implementation, it also introduces support measures adapted specifically to the cooperative environment.

By acknowledging the central role cooperatives play in the economy and tackling the specific problems they face, the *Cooperative Development Policy* takes resolute aim at ensuring the harmonious development of cooperatives, marking an important step in the reaffirmation of Québec's leading role in this key sector.

2 A total of 3,500 copies of the *Cooperative Development Policy* preliminary draft were distributed. In addition, 3,700 summaries of the draft were sent out to interested people and groups, as well as 800 copies of the briefing paper in preparation for the review of the *Cooperatives Act*. These documents were also made available on the MIC Website, where they were consulted nearly 2,000 times altogether.

3 The consultation on the preliminary draft of the *Cooperative Development Policy* resulted in—
- 23 meetings and presentations
- attendance by 324 organizations and over 850 individuals
- submission of 77 briefs or letters of comment

4 Excerpt from the *Recommendation on the Promotion of Cooperatives* adopted at the last international conference of the ILO, in June 2002.

Summary of Measures and Courses of Action[5]

STRATEGIC ORIENTATIONS, MEASURES, AND COURSES OF ACTION	DEPARTMENTS AND ORGANIZATIONS CONCERNED
AREA 1: Introduce an effective and innovative legal framework	
Strategic orientation: Modernize the Cooperatives Act to step up development of cooperatives	
☐ Course of action: Reinforce the distinctive legal character of the cooperative and take into account the specifics of the cooperative formula	MFER and MJUS[6]
☐ Course of action: Improve capitalization	MFER and MJUS
☐ Course of action: Reaffirm the nondivisibility of the general reserve	MFER and MJUS
☐ Course of action: Strengthen sectoral networks	MFER and MJUS
☐ Course of action: Improve operation of cooperatives	MFER and MJUS
AREA 2: Develop or improve capitalization and financing tools suitable for the cooperative environment	
Strategic orientation: Ensure adequate funding for supporting the emergence and growth of cooperatives	
☐ Measure: Expand government involvement in the Réseau d'investissement social du Québec (RISQ)	MFER
☑ Measure: Set up Capital régional et coopératif Desjardins (CRCD)	MFER
☑ Measure: Establish the *Programme favorisant la capitalisation des entreprises d'économie sociale* and the *Programme favorisant le financement de l'entrepreneuriat collectif* at Investissement Québec	IQ
☑ Measure: Inject additional capital into the Réseau d'investissement social du Québec (RISQ)	MFER
☑ Measure: Create *Filaction*, the fund to support community funds	MFER, MREG, and *Fondaction*
Strategic orientation: Increase cooperative equity in order to improve their capitalization	
☐ Measure: Partially abolish the limit on allocation and deductibility of patronage dividends	MFER
☐ Course of action: Support demands by the cooperative movement regarding federal taxation	MFER
☑ Measure: Enhance the *Cooperative Investment Plan* (RIC)	MFER
☑ Measure: Postpone taxation of patronage dividends paid in the form of preferred shares for members of eligible cooperatives	MFER
AREA 3: Improve consulting services available to cooperatives	
Strategic orientation: Improve consulting services available to cooperative startups	
☐ Measure: Renew and enhance the *Programme d'aide aux coopératives de développement régional* (CDR)	MFER
Strategic orientation: Strengthen specialized oversight and federated operations	
☐ Measure: Set up a specialized coop retention and oversight program for the cooperative federations	MFER
☐ Measure: Renew and enhance the *Programme de soutien aux regroupements sectoriels en économie sociale*	MFER
Strategic orientation: Increase the quantity and variety of multipliers for the cooperative formula	
☐ Course of action: Support the development of regional and sectoral partnerships in the development of cooperatives	MFER and MREG

☐ Measure to come or course of action
☑ Recently adopted measure

5 See Chapter 4 for the various measures and courses of action.

6 See Appendix 5 for the list of acronyms used.

STRATEGIC ORIENTATIONS, MEASURES, AND COURSES OF ACTION	DEPARTMENTS AND ORGANIZATIONS CONCERNED
AREA 3 (cont'd)	
Strategic orientation: Enhance the competitiveness of cooperative enterprises	
☐ Course of action: Support research and innovation	MAPAQ, MRN, and MFER
☐ Course of action: Promote best business practices	MFER
Strategic orientation: Help strengthen the associational dimension of cooperatives	
☐ Measure: Develop and make available a certification tool for cooperatives	MFER and CCQ
AREA 4: Acknowledge the role of cooperatives by integrating and harmonizing government action in the area of cooperative development	
Strategic orientation: Recognize the Conseil de la coopération du Québec as the cooperative movement's representative body	
☐ Measure: Support specific structuring initiatives by the cooperative movement and the Conseil de la coopération du Québec	MFER
Strategic orientation: Enlist the support of the entire government in fostering cooperative development	
☐ Measure: Maintain a government mandate in matters of cooperative development	Government
☐ Course of action: Take the distinct nature of cooperatives into account in government programs, legislation, and measures	Government
Strategic orientation: Promote the cooperative formula and enhance coop visibility	
☐ Course of action: Educate socioeconomic actors and agents about the cooperative formula	MFER
☐ Measure: Establish "Distinctions Coopératives" awards	MFER
Strategic orientation: Increase the quantity of cooperative training at every level of the educational system	
☐ Course of action: Increase teaching of cooperation at different levels of the school system	MEQ Fédération des cégeps Association des collèges privés du Québec Conference of Rectors and Principals of Québec Universities
Strategic orientation: Promote partnerships between cooperatives and the government in a variety of areas	
☐ Course of action: Promote business partnerships between cooperatives and the government	Conseil du trésor
☐ Course of action: Identify key orientations in the cooperative housing sector	MFER, SHQ, and CQCH
Strategic orientation: Encourage cooperatives to position themselves strategically in relation to major social and economic trends	
☐ Measure: Conduct studies on how globalization affects cooperatives	MFER, CCQ, and universities
☐ Measure: Identify sectors with good potential for cooperatives	MFER, CCQ, and universities
☐ Course of action: Build partnerships between cooperatives and other enterprises in the social economy	MFER, CCQ, and Chantier de l'économie sociale
Youth Initiatives	
Strategic orientation: Finance and support projects developed by young people	
☐ Course of action: Position the Campus Cooperative formula	MESS and MRCI
☑ Measure: Establish *Audace*, a financial aid program for young cooperative entrepreneurs in the regions	Fonds Jeunesse and FCDRQ
☑ Measure: Set up a multipurpose portal on cooperatives in the school community	MFER and Fonds de l'autoroute de l'information
Strategic orientation: Promote the cooperative formula among young people, especially teens	
☐ Measure: Develop a measure to promote the cooperative formula	MFER, CCQ, and Fond*action* pour l'éducation à la coopération
☑ Measure: Set up the second student fund for youth services coops (Government of Québec and Solidarity Fund QFL)	MFER and Solidarity Fund QFL

BUDGETARY IMPLICATIONS

The government plans to invest $20 million over three years in the initiatives presented in the *Cooperative Development Policy*.

NEW MEASURES HAVING A BUDGETARY IMPACT	(2003-2004) ($)	(2004-2005) ($)	(2005-2006) ($)	TOTAL (3 YEARS) ($)
CAPITALIZATION AND FINANCING				
Operating budget allocation for RISQ[7]	400,000	400,000	100,000[8]	900,000
SUBTOTAL	**400,000**	**400,000**	**100,000**	**900,000**
CONSULTING SERVICES				
Creation of specialized coop retention and oversight program for cooperative federations	1,500,000	2,000,000	2,000,000	5,500,000
Enhancement of the *Programme d'aide aux coopératives de développement régional*	—	250,000	250,000	500,000
Development and distribution of a certification tool for cooperatives	100,000	100,000	65,000	265,000
SUBTOTAL	**1,600,000**	**2,350,000**	**2,315,000**	**6,265,000**
RECOGNITION AND PROMOTION OF COOPERATIVES				
Creation of a support measure for structuring initiatives	600,000	600,000	600,000	1,800,000
Creation of "Distinctions Coopératives" awards	15,000	10,000	10,000	35,000
Funding for positioning studies (globalization, growth sectors for cooperatives)	100,000	50,000	50,000	200,000
Creation of a measure to promote the cooperative formula*	300,000	500,000	500,000	1,300,000
SUBTOTAL	**1,015,000**	**1,160,000**	**1,160,000**	**3,335,000**
TOTAL COST OF NEW MEASURES	**3,015,000**	**3,910,000**	**3,575,000**	**10,500,000**
RENEWED MEASURES				
Renewal of the *Programme d'aide aux coopératives de développement régional*[9]	—	2,500,000	2,500,000	5,000,000
Renewal and enhancement of the *Programme de soutien aux regroupements sectoriels en économie sociale*	1,500 000	1,500,000	1,500,000	4,500,000
COST OF RENEWED MEASURES	**1,500,000**	**4,000,000**	**4,000,000**	**9,500,000**
ALL MEASURES (NEW AND RENEWED)	**4,515,000**	**7,910,000**	**7,575,000**	**20,000,000 ****

7. RISQ: Réseau d'investissement social du Québec.

8. The convention governing the agreement between the government and RISQ will expire on March 31, 2005. The parameters of the government's commitment will therefore be reviewed at that time.

9. The Regional Development Cooperative Assistance Program currently has a budget of $3,577,500 per year until March 31, 2004. Of this amount, $1,077,500 is recurring as part of the department's budget. When the current program ends, the policy calls for the amount of $2,500,000 to be renewed for a period of two years.

* Measure affecting youth, among others.

** This amount does not include the cost of tax-based measures.

CHAPTER 1

THE COOPERATIVE: A DIFFERENT KIND OF ENTERPRISE

WHAT IS A COOPERATIVE?

Cooperation as an economic and business model originated in mid-nineteenth century England in response to the abuses of the Industrial Revolution, then spread to countries such as France, Italy, and Germany. The cooperative model was introduced in Québec in the second half of the 19th century. Here it found fertile ground, garnering a strong following unrivaled anywhere else in North America.

In Québec, cooperatives are generally favorably perceived and even enjoy a relatively high profile thanks to the importance of the large financial and agricultural coops. However, most people know little about the cooperative model, its underlying philosophy, and the characteristics that set coops apart from ordinary companies.

The International Cooperative Alliance (ACI), the international umbrella group for cooperatives worldwide, defines a cooperative as follows:

> ***A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.***
>
> *(International Cooperative Alliance [ICA])*

The cooperative is a corporate body comprised of a group of individuals and corporate entities, unlike a company, which is composed of capital. This distinction is key, because it constitutes the very essence of cooperative purpose and function.

The cooperative is also unique and original in that its principal mission is to meet the needs of the members who created it. These needs could be to obtain goods and services at lower cost (consumer goods, housing services, social services, cable, funeral services, etc.), to create jobs through a work coop, or to transform and market products through a producer coop.

Although the coop's main mission is to meet member needs, this does not prevent it from generating profits that can be used to support further growth, distribute dividends to its members, or for any other purpose.

> ***The cooperative is a remarkable system that puts individuals first. Coops belong to their supplier members and customer shareholders and represent an intelligent compromise between local situations and global markets.***
>
> *(Jean le Vourch, president of the Fédération nationale des coopératives laitières in France)*

The relationship between cooperatives and their members is based on usage rather than investment. More specifically, people must do business with the cooperative—or act as users, so to speak—to become members. Since the performance of cooperatives depends on the level of use, surpluses are allocated to members based on their participation.

Cooperatives are democratically operated according to the principle of "one member, one vote." It is impossible for any single individual to take control of a cooperative. Decisions regarding the coop are made by the majority of its members at the general assembly.[10]

10. The General Meeting of Members can, however, decide on these matters according to the Act.

Because cooperatives, like companies, are corporate entities that are distinct from their members, they have a separate legal existence. The responsibility of members to the cooperative is therefore limited to the value of their subscribed shares. This notion is similar to that which exists for companies where shareholder liability is limited to the amount of subscribed shares. (See Appendix 2, Comparative Table: Cooperatives, Companies, and Nonprofit Organizations [NPOs]).

COOPERATIVE PRINCIPLES

Cooperatives operate on the basis of values of self-help, self-responsibility, democracy, equality, equity, and solidarity. Here are the seven principles recognized by the International Cooperative Alliance (ACI):

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among cooperatives (intercooperation)
- Concern for community

THE COOPERATIVE: A PARTICIPATORY ENTERPRISE

Cooperatives are, above all, enterprises in which members take part in operations in one of three ways:

- Participation in ownership
- Participation in control
- Participation in surpluses based on usage

TYPES OF COOPERATIVES

Five types of cooperatives are currently authorized under the Québec *Cooperatives Act*, each meeting specific economic needs:

- Consumer cooperatives
- Producer cooperatives
- Work cooperatives
- Worker-shareholder cooperatives (CTAs)
- Solidarity cooperatives

All five types operate according to the principles of the cooperative model. However, there are significant differences between them as to their purposes and the sectors in which operate.

Consumer Cooperatives

Consumer cooperatives belong to their members, whom they provide with a variety of products and services. These coops are usually created to provide members with goods or services at lower cost by increasing their purchasing power or simply to provide access to goods or services not readily available on the market or in the local area.

Consumer coops exist for housing, food, healthcare, recreation, educational goods and services, funeral services, cable, etc. Financial services coops and insurance mutuals are also examples of consumer coops.

Producer Cooperatives

These cooperatives belong to their producer members, to whom they provide goods and services related to their occupation. They may supply members with goods and services required for work purposes or process and market member products.

Producer coops are found mainly in the agrifood industry, the taxi industry, and the business services sector. They may also take the form of purchasing groups and farm equipment and labor pools. More and more professionals and specialized workers are also forming coops to access professional services, including opticians, jewelers, designers, artists, computer specialists, etc.

Work Cooperatives

Work cooperatives belong to their member workers, who operate a business in order to provide themselves with employment. They give

members the opportunity to control their working conditions and work environment.

As with all cooperatives, membership is based on the principle of usage. In the case of work coops, this means that members must be employees of the enterprise.

Work coops are found in the sectors of forestry management, logging and wood processing, ambulance services, consulting, communications, business services, social services, and manufacturing in general.

Worker-Shareholder Cooperatives (CTAs)

CTAs are work cooperatives made up of the employees of a company, who collectively own a block of company shares. CTAs participate in company administration, management, and profit sharing in the interests of their members.

CTAs are found in a number of sectors, particularly food processing, wood processing, general manufacturing, new technologies, and transportation.

Solidarity Cooperatives

These cooperatives are characterized by the diversity of their membership and their interest in partnerships. Their members include both—

- Users of the services the coop provides
- Coop employees

In addition, individuals and corporate bodies that share the cooperative's economic and social objectives are eligible to become supporting members.

Solidarity cooperatives are particularly active in the areas of homecare, social services, recreation and tourism, and other services.

COOPERATIVE NETWORKS

In Québec and elsewhere, cooperatives generally operate as networks. Long before the notion of networking came into fashion, cooperatives were able to break their isolation, build synergies, and take advantage of economies of scale by joining together in sectoral, regional, and national networks.

Sectoral cooperative federations and associations implement joint strategies to support and develop cooperatives in their respective sectors. They also provide specialized services that play an important role in ensuring the growth and survival of cooperative enterprises.

In the course of the past 15 years, most coops have also joined forces regionally in regional development cooperatives (CDR). CDR member coops consult each other, promote the cooperative model through a variety of initiatives, and provide technical support to coops in startup phase.

CDRs also provide assistance to coop promoters—notably through the *Programme d'aide aux coopératives de développement régional*—to help them get their projects under way under the best possible conditions.

External Partner Networks

Over the years, Québec cooperatives have built extensive networks through which they share information and services with various partners. Depending on the sector, they have also developed ties with a number of government departments and organizations, including Investissement Québec, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation, the Société d'habitation du Québec, and the Ministère de l'Emploi et de la Solidarité sociale (local employment centers).

Coops also receive strategic information and advice from universities with an interest in coop-related research. University resources include the Desjardins Study Center on Cooperative and Financial Service Management at École des hautes études commerciales (HEC Montréal), the Guy-Bernier Cooperation Chair at Université du Québec à Montréal (UQAM), and the Research and Teaching Institute for Cooperatives at Université de

Sherbrooke (IRECUS). CIRIEC, an interdisciplinary research and information center on collective enterprises, is another institution very active in conducting research on cooperatives and other collective ventures.

In addition, cooperatives can rely on natural partners like economic development agencies (CLDs, CDECs, GRTs, etc.[11]), unions, and community organizations to support cooperative development.

In recent years, partnerships have also been established between cooperatives and various stakeholder organizations in the social economy sector, including Chantier de l'économie sociale and the Comité sectoriel de la main-d'œuvre de l'économie sociale et de l'action communautaire. These alliances have encouraged diversification in the cooperative sector and helped introduce the coop model to a broader audience.

The vitality of Québec's coop sector is due in part to the substantial and ongoing partnerships that have flourished between coops and community organizations. The scope of these relationships is unmatched in the rest of Canada.

CONSEIL DE LA COOPÉRATION DU QUÉBEC: A FOCAL POINT FOR COOPERATIVE DEVELOPMENT

Founded in 1940 by Father Georges-Henri Lévesque, the Conseil de la coopération du Québec is currently made up of forty-odd organizations, cooperative associations, and mutuals. CCQ is also the acknowledged representative organization for the cooperative movement throughout Québec.

Since its foundation, CCQ has provided a vital forum for reflection and action on cooperative development. The Council strives to advance the cooperative cause through dialog, promotion, research, and education and provides support to cooperatives in the startup, consolidation, and development phases.

11. CLD: centre local de développement (Local Development Center)
CDEC: corporation de développement économique communautaire (Community Economic Development Corporation)
GRT: groupe de ressources techniques dans le domaine de l'habitation (Housing Technical Resource Group)

CHAPTER 2

COOPERATIVES: PLAYING A VITAL ROLE IN THE QUÉBEC ECONOMY

This remarkable [cooperative] movement possesses an irresistible strength all its own, a force destined to mark the evolution of the economic sphere.

(Alphonse Desjardins)

Cooperatives have been part of Québec's social and economic landscape for over a century. More than anywhere else in North America, they play a key role in the lives of our communities. Born as a response to the economic and social isolation of francophone Quebecers, they have fostered the emergence of a new form of entrepreneurship built on collective strength and solidarity.

Cooperatives that were established to meet the pressing needs of the times have progressively structured economic sectors of crucial importance to Québec, ensuring the viability of sectors that were either neglected or poorly serviced by traditional private enterprise.

We have only to think of the caisses populaires and workers credit unions, which brought financial services (savings and loans) to the general public and workers' groups at a time when such services were reserved almost exclusively for merchants and businessmen. Similarly, mutual societies and savings and credit cooperatives made insurance available to all. And in the agricultural sector, emerging cooperatives had a major impact, sparking a movement to structure and modernize Québec agriculture by changing the way farms were supplied and agricultural products processed and marketed.

THE QUÉBEC COOPERATIVE MOVEMENT IN FIGURES

Today, the Québec cooperative movement comprises financial services coops, which operate under the Desjardins Group, as well as insurance mutuals and nonfinancial cooperatives.

As of December 31, 2000, there were 3,380 cooperatives in Québec. Together, they employed 74,922 people, had sales of over $14 billion (see Table 1), and possessed assets worth nearly $84 billion, most of them in the form of savings under Desjardins Group management.

TABLE 1

Statistical Portrait of the Québec Cooperative Movement in 2000

	Number of Cooperatives	Sales (millions of $)	Assets (millions of $)	Members (000)	Jobs
Desjardins financial services cooperatives	972	5,888	76,117	5,068	36,436
Mutual insurance companies	39	1,554	3,874	1,310	3,483
Nonfinancial cooperatives	2,369	6,621	3,565	848	35,003
TOTAL	**3,380**	**14,063**	**83,556**	**7,226**	**74,922**

Source: Cooperatives Branch, Ministère des Finances, de l'Économie et de la Recherche (MFER)

Total coop membership was over 7.2 million, which means that Quebecers are often members of more than one coop.

The Québec cooperative movement is also a leader in the North American coop sector. Québec accounts for almost 40% of all cooperatives in Canada, and nearly 50% of coop jobs. Moreover, Québec's dominance of the sector has actually increased in recent years, due in part to an increase in the number of coops.

Nonfinancial cooperatives are a special focus of the government's *Cooperative Development Policy*. In 2000, there were 2,369 such enterprises, 2,059 of them reporting[12] (Table 2). Together they recorded total sales of $6.6 billion, had assets of almost $3.6 billion, and employed 35,000 people.

As the following table shows, consumer cooperatives are the largest group, accounting for 71% of all coops and 17% of coop jobs. They include a large number of housing coops.

Although the 266 producer coops only make up 13% of all coops, they represent 49%[15] of total coop sales. This category includes several large concerns, including Agropur, Nutrinor, Exceldor, and Agrinove.

As for work cooperatives, they have contributed significantly to job creation in recent years, accounting for 9% of all coops, but 25% of coop jobs. This result is largely due to cooperatives in the forestry sector.

Most worker shareholder coops (CTAs) have been established during periods of company growth or consolidation and are primarily found in the industrial sector. Companies in which CTAs owned shares generated an estimated $450 million in revenues in 2000.

TABLE 2

Nonfinancial Cooperatives in 2000

Type of Cooperative	Number of Reporting Cooperatives	Sales (millions of $)	Assets (millions of $)	Members	Jobs
Cooperative groups	21	2,081.8	647.7	1,115	8,231
Consumer	1,458	747.2	1,216.8	784,329	5,975
Producer	266	3,237.4	1,298.8	39,393	7,111
Work	189	525.3	360.3	6,641	8,622
Owner worker	58	10.3[13]	30.5	3,780	3,754
Solidarity	67[14]	19.2	11.5	12,805	1,310
TOTAL	**2,059**	**6,621.2**	**3,565.6**	**848,063**	**35,003**

Source: Cooperatives Branch, MFER

12. Reporting cooperatives are those that supplied annual reports. The difference between active cooperatives and reporting cooperatives can result from several factors: recently constituted cooperatives have not completed their first fiscal years, certain cooperatives have failed to produce their annual reports, cooperatives have temporarily ceased activities, etc.

13. This figure does not include sales by companies in which cooperatives own shares.

14. The concept of solidarity cooperative was consecrated by the *Cooperatives Act* in June 1997.

15. Excluding groups like Cooperative federee de Quebec.

Solidarity cooperatives have only existed since 1997, but their numbers have been growing very rapidly. There are presently over 160 solidarity coops in operation compared to only 67 in 2000, most of them in the personal services sector.

Lastly, cooperative associations play an important role in the dynamics and development of many coop sectors.

Coopérative fédérée de Québec, a federation of agricultural coops, is by far the most active of these groups in terms of the diversity of its activities and the size of its affiliates. In its federative capacity, it helps supply its 100-odd member coops and also possesses several large meat processing facilities. The largest nonfinancial cooperative organization in Québec in terms of sales and employees, Coopérative fédérée de Québec and its network of affiliates have over 14,000 people on payroll, making the group the sixth largest employer in Québec.

GROWTH OF COOPERATIVES ACCELERATES

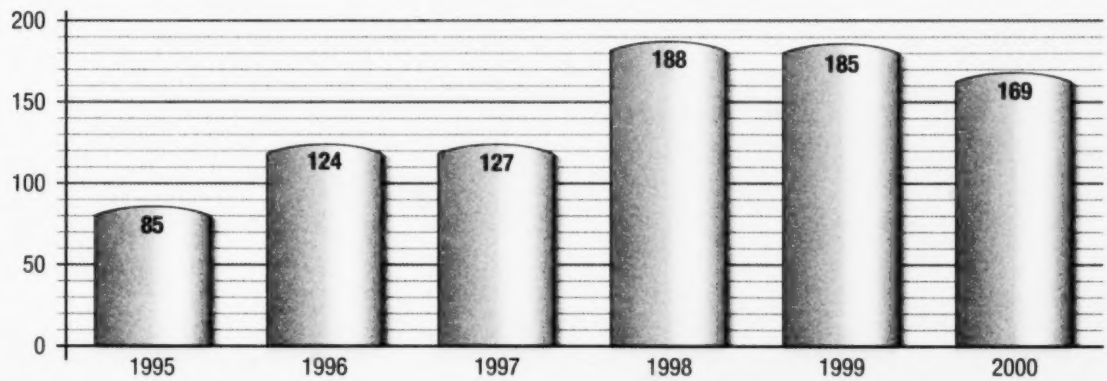
> *Under the [Cooperative Development] policy, the cooperative movement intends to acquire new tools to maintain and even step up its pace of development, which is measured by the growth of existing cooperatives, the increase in the number and stability of startup cooperatives, and the bolstering of public awareness of the cooperative model in general.*
>
> *(Brief presented by Conseil de la coopération du Québec during consultations on the preliminary draft of the Cooperative Development Policy)*

From 1995 to 2000, growth in the coop sector was up in virtually every respect. The number of new coops being established increased markedly, from 85 in 1995 to 169 in 2000 (Figure 1), doubling between the beginning and end of the period.

This strong growth was due in large part to the creation of new solidarity coops, work coops, and worker shareholder coops, and to a certain extent producer coops as well.

GRAPH 1

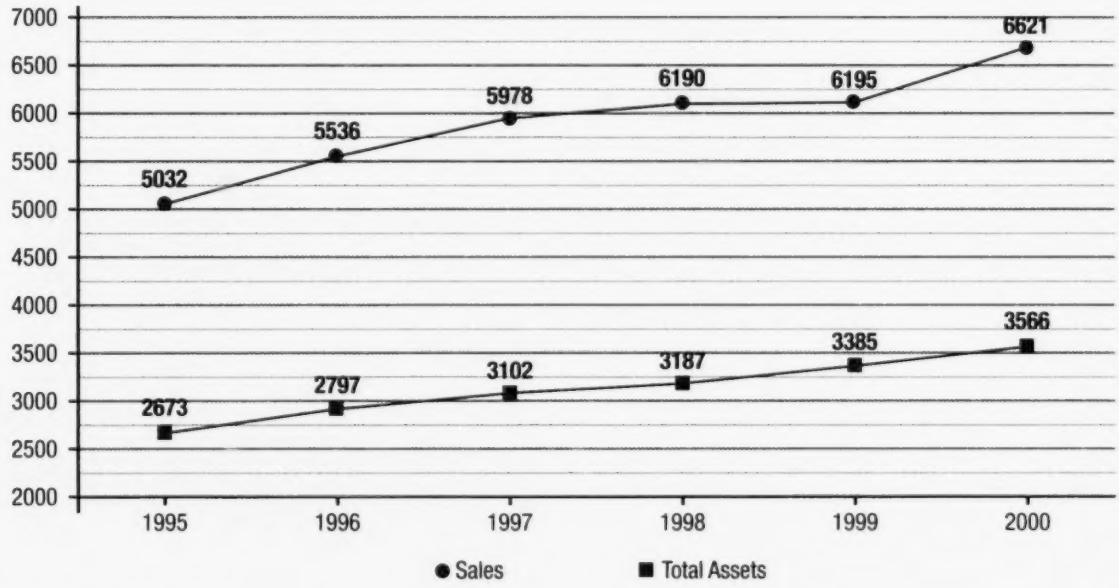
Change in New Cooperative Startups, 1995 to 2000



Source: Cooperatives Branch, MFER

GRAPH 2

Change in Sales and Total Assets of Cooperatives, 1995 to 2000 (millions of dollars)



Source: Cooperatives Branch, MFER

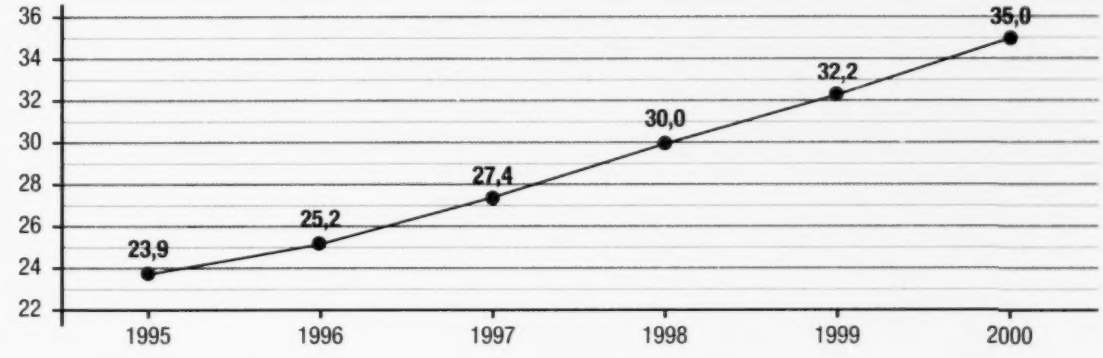
Cooperative sales also underwent a marked 32% increase between 1995 and 2000, climbing from $5 billion to $6.6 billion (Figure 2). In comparison, Québec GDP went up 25.3% over the same period.

As for the assets of nonfinancial cooperatives, they increased by 33% during the same period, echoing the pattern for sales.

Total membership in nonfinancial cooperatives was over 848,000 in 2000. Consumer coops accounted for the majority of members because they provide services intended for the general public and therefore deal with a very broad clientele. This is the case, for example, of coop stores, school coops, cable coops, and funeral coops.

GRAPH 3

Change in Employment, 1995 to 2000 (thousands of jobs)



Source: Cooperatives Branch, MFER

Nonfinancial cooperatives also recorded a job creation rate five times higher than the Québec average for the 1995 to 2000 period. The number of jobs in nonfinancial coops increased by 46% during this period, compared to 9.2% for the economy as a whole (Figure 3). Producer coops and Coopérative fédérée de Québec accounted for much of this performance, creating 3,500 jobs, including 2,300 in processing-related operations.

Accelerated growth in the cooperative movement is attributable to the revitalization of traditional sectors (agrifood, forestry, retail, etc.) as well as diversification into new sectors. Cooperatives have made breakthroughs in the service industry (e.g., homecare) and, to a lesser extent, in the new economy. Available figures suggest that these new fields should account for a significant portion of the new coop jobs created in 2001 and 2002. The total number of jobs in the sector is estimated to have hit 36,500 in 2001, and 38,000 in 2002.

ENTERPRISES WITH A MAJOR IMPACT

Cooperatives are especially active in the secondary manufacturing sector, although they are also very present in the primary sector.

As Table 3 shows, on a proportional basis, cooperatives account for twice as many jobs in the manufacturing sector as Québec businesses as a whole (45.1% vs. 22.4%). In the primary sector, the gap is even wider, with the number of coop jobs nearly six times higher than for the Québec economy as a whole.

Coops in the manufacturing sector are concentrated primarily in agrifood, wood processing, and various industrial products. In the primary sector, agriculture, forestry management, and logging operations account for most of the activity.

In the years ahead, we can expect rapid growth in the tertiary sector. Between 1996 and 2000, for example, an estimated 2,500 jobs were created by domestic help and social service cooperatives, a trend that will in all likelihood continue as the needs of an aging population increase.

REGIONAL ROOTS, REGIONAL GROWTH

Housing cooperatives are found mainly in large urban centers like Montréal and Québec City, but most other coops are concentrated in rural and semi-urban regions, where over 75% of coop jobs are located.

> *In today's world, it can be reassuring for countries and communities to count on cooperatives, inalienable enterprises whose structure of ownership protects them against hostile bids and takeovers. It can be reassuring to count on enterprises that have long term local interests at heart and that will plow profits back into their communities rather than turn them over to shareholders who may well live thousands of miles away.*
>
> *(Mr. Alban D'Amours, president of Desjardins Group)*

In the agrifood and forestry sectors, the biggest cooperative sectors for sales and jobs, almost all production and processing is carried out in the regions.

TABLE 3

Job Breakdown by Economic Sector in 2000 (coop jobs vs. all jobs in Québec)

	Cooperatives (%)	Québec (%)
Primary Sector	17.8	3.0
Secondary Sector	45.1	22.4
Tertiary Sector	37.1	74.6
TOTAL	**100.0**	**100.0**

Source: Institut de la statistique du Québec

Cooperatives are also very active in providing local services in the regions through coop stores, coop hardware outlets, homecare services, etc. In fact, tertiary sector coop jobs are linked in large measure to local services. This is the case, for example, for the vast majority of coop stores located in small communities in the outlying regions. Often, these coops are the focal point for local commercial activity and sell a wide variety of merchandise.

ENTERPRISES THAT LAST

Table 4 shows that cooperatives have a significantly higher five-year and ten-year survival rate than traditional private businesses.

This high survival rate is due to inherent features of the cooperative model as well as to the general and specialized support services provided to coops by regional and sectoral associations.

For a clearer portrait of present-day cooperative activity, see Appendix 4. It provides an overview of the main sectors where a critical mass of cooperatives operate as well as a summary of the challenges and issues facing Québec coops in the years ahead.

TABLE 4

Cooperative Enterprise Survival Rate in Québec

	Five Years Survival Rate (%)	Ten Years Survival Rate (%)
Average cooperative survival rate	64	46
Average private business survival rate (according to Statistics Canada) (all companies combined)	36	20
Institut de recherche sur les PME (UQTR) (manufacturer sector)	47	30

Source: Taux de survie des entreprises coopératives au Québec, MIC, 1999, p.15

CHAPTER 3

ISSUES IN COOPERATIVE DEVELOPMENT

Cooperatives play a significant role in several key areas of the economy. However, it is only recently that they have begun to turn up in the new economy.

Cooperatives also find it difficult to establish themselves in urban environments. Coop projects are easier to implement in areas where there is a tightly knit social fabric and where ties of solidarity already exist.

Given their advantages, what prevents cooperatives from developing further? Why do they find their fields of potential endeavor limited? There is no easy answer to these questions. Many factors are involved. To prosper, cooperatives need to be able to rely on an environment favorable to their emergence and growth. Certain key elements must be present to facilitate their development. Despite the various measures of government support, consultations on the draft policy clearly revealed that Québec cooperatives need more tools and levers to fully assume their role in economic development.

Among the changes required, the following priorities need to be addressed:

- Establish a modern legal framework adapted to contemporary circumstances
- Facilitate access to the capital required for growth
- Provide startup assistance services and specialized coaching adapted to coop requirements
- Promote best business practices and strengthen the associational dimension of cooperatives
- Recognize the special contribution of cooperatives to the social and economic development of Québec and harmonize government initiatives in the coop sector

LEGAL FRAMEWORK

Since the early 20th century, nearly all Québec cooperatives have been governed by the *Cooperatives Act*. Because this act has undergone only technical changes in recent years, it is in some respects not as well adapted to the environment in which today's cooperatives operate. A 1998 study by the Ministère de l'Industrie et du Commerce and Université du Québec à Montréal also shows that the Québec act is less permissive than legislation in most Canadian provinces and at the federal level.

Furthermore, the current Québec act primarily addresses the needs and philosophy of consumer cooperatives, while new areas of cooperative development are increasingly focused on work cooperatives, shareholder worker cooperatives and, more recently, solidarity cooperatives. The act should therefore be adjusted to reflect this reality.

Briefs received during the consultation on the *Draft Cooperative Development Policy* clearly show that both cooperatives and partners agree that while reaffirming cooperative principles, amendments to the act should convey the diverse realities of the cooperative movement. In response to requests, amendments should also ease certain regulations and broaden cooperative powers.

16 The study was called "*La réserve générale impartageable : origine, évolution, situation actuelle*."

COOPERATIVE CAPITALIZATION AND FINANCING

Cooperatives have had to make heavy investments in recent years to meet the challenges of the new economy. Many took advantage of market openness to launch major projects that generated many jobs. On the whole, cooperatives made average investments of $166 million per year over the past five years. These initiatives created over 11,100 cooperative jobs from 1995 to 2000.

Increased investment by cooperatives has directly impacted their capitalization rate, which declined from 40.1% in 1995 to 35.7% in 2000. While cooperatives are profitable, their profits are not enough to cover all their capital requirements and thereby allow them to effectively face the competition and seize new business opportunities.

The issue of cooperative capitalization is all the more worrisome, given that cooperatives must—like all Québec businesses—continue investing in upcoming years in order to boost their productivity, launch new products, and maintain their market share.

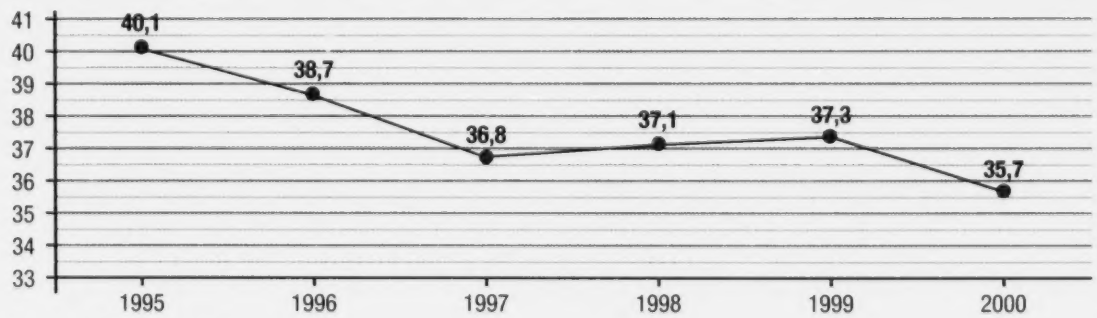
Cooperative capitalization and financing have always been problematic. But they have a greater impact on rapidly growing cooperatives—those that are the most promising and generate the most jobs.

Of course, institutions such as Investissement Québec, Fond*action*, and Mouvement Desjardins, with its Caisse d'économie Desjardins des travailleuses et travailleurs (Québec), provide cooperative financing. However, the vast majority of finance companies, particularly venture capital firms, have little involvement with cooperatives.

The democratic operation of cooperatives and their profitsharing method based on use makes them less attractive to venture capital.

GRAPH 4

Change in Cooperative Capitalization Rate, 1995 to 2000 (percentage)



1. Excluding the housing sector
Source: Cooperatives Branch, MFER

In addition, in cooperatives—unlike in traditional private businesses—outside investors cannot access their returns from increases in share value. Indeed, cooperative shares cannot increase in value over time, nor is there a secondary market for these shares. Furthermore, a cooperative cannot grant veto power to a third party, as this might undermine the very essence of democracy, the foundation of this form of business.

Finally, since cooperatives focus on optimizing return on use over return on capital, the financial return on investment of these businesses is generally lower than in private companies.

Because of the way they operate, cooperatives cannot offer what venture capital companies generally seek, i.e., capital gains, veto power, high financial yields, option exercise, etc. To ensure their development, they must therefore rely almost solely on member capital and profits generated by their operations.

Up to now, cooperative expansion has been larged financed by contributions from members, who pumped $30 million in capital into their businesses in 2000 alone. In fact, member capitalization rose 7.9% per year in 1995–2000. Despite the injection of this new capital and reinvestment of a large share of profits, cooperative capitalization has failed to attain the level of five years ago. In strong growth sectors, the slippage has been even more pronounced.

Since its creation in 1985, the Québec *Cooperative Investment Plan* (RIC) has channeled over $217 million in capital into cooperatives, including nearly $25.3 million in 2000. This plan offers a tax deduction to members and workers who invest in eligible cooperatives. Currently, the plan targets producer cooperatives and work cooperatives. In the briefs submitted, the cooperative movement and socioeconomic partners generally push for an increase in cooperative types and investors eligible for the plan.

For a number of years, Investissement Québec has run a financial assistance program for cooperatives consisting primarily of loan guarantees. Since its implementation, this program has resulted in considerable cooperative growth. Recently, the government completely reworked Investissement Québec's programs in response to cooperative movement demands. These changes increased program support, particularly as regards startup and capitalization assistance.

In a number of areas requiring heavy investment (dairy industry, agrifood industry, forestry and manufacturing sectors, funeral services, etc.), cooperatives must raise considerable funds to complete investment projects in new facilities, acquisitions, and production equipment modernization.

In recent years, cooperative movement stakeholders have explored various avenues for increasing cooperative capitalization, particularly that of channeling patient capital (10 year average horizon) into these businesses. For cooperatives, this capital would play the same role as venture capital for private companies, the goal being to obtain capital with a real impact on the capitalization rate and thereby leverage other sources of financing.

These efforts by the cooperative movement, combined with those of the government under this policy, have recently led to significant gains,

including the creation of Capital régional et coopératif Desjardins, Investissement Québec program enhancements, and improvements to the Québec *Cooperative Investment Plan* (see Section 4 for details). These initiatives and others described below will help to considerably improve cooperatives capitalization and financeability.

TECHNICAL ASSISTANCE

Foreign experience has shown that cooperative movement momentum can be reinforced by effective technical assistance and startup services for new cooperatives, as well as support and consulting services for existing cooperatives.

Startup assistance

At the startup stage, cooperatives differ from private companies in terms of the large number of promoters and the democratic nature of company decision making. Because of these two factors, general startup assistance and support services cannot fully meet the needs of cooperatives. For this reason, the Government of Québec established the *Programme d'aide aux coopératives de développement régional* (CDR).

This program has three main objectives: to promote the cooperative formula, to foster cooperation among cooperatives in a region, and, above all, to provide technical assistance attuned to the needs of cooperatives at startup. It provides financial support to regional development cooperatives and to MCE Conseils, a group affiliated with Confédération des syndicats nationaux (CSN).

In existence since 1985, this program was only recently extended to all of Québec. Most cooperative startups enjoy the support of the 11 regional development cooperatives. Certain federations also provide technical services to new cooperatives in their region.

Since the program began in 1985, CDRs have helped create or maintain 11,500 jobs. A program analysis in 2000 showed that 84% of the jobs created or maintained since the start of the program still existed. In addition, 86% of the program budget is allocated based on CDR results in terms of job creation and maintenance, cooperative startup, and self-financing.

The program has helped speed the startup of new cooperatives and create jobs in Québec's various regions. However, despite the encouraging survival rate of supported cooperatives, the program could do a better job of following up on these businesses. This would help not only to increase the survival rate of cooperatives, but also to speed their development once they reach the growth stage.

Specialized oversight and networking

The cooperative experience in Québec, as elsewhere in the world, shows that businesses need specialized sectoral oversight after startup. In sectors without a sectoral federation or group to provide such services, the failure rate of cooperatives is much higher, while cooperative liquidations are quite rare in sectors that network and enjoy the support of sectoral services.

The following excerpt from a paper on cooperative survival rate published by MIC in 1999 clearly identifies the types of support provided by cooperative sectoral groups, as well as their impact.

Cooperative sectoral groups provide many services with a direct impact on the survival of member businesses. They develop and distribute administrative management tools specific to the sector. They develop the market in their sector and promote the creation of buying and selling networks. They monitor the sector and lobby for its businesses. They develop training content and make it available to businesses. Lastly, they keep a watch over sector businesses and in more difficult cases contribute to turnaround efforts. These different types of specialized support have a major impact, promoting business survival and development.

Excerpt from Taux de survie des cooperatives, published by MIC in 1999

A point commonly raised in discussions on cooperative development is that strong networks and regional or sectoral cooperative groups tend to spur growth. Italy, for example, is known for its cooperative networking (consortiums, cooperative plants, etc.) and exhibits the strongest cooperative sector growth. A number of other countries have passed various laws and measures to shore up their networks.

In principle, there is consensus on the importance of networks in promoting cooperative development in Québec. In reality, there are enormous discrepancies among cooperative sectors in terms of the scope and role of networks. On the one hand are cooperative sectors that, through their federation, have developed a set of strategic business services for their members. On the other hand are sectors without a group or federation, due to the lack of a critical mass of cooperatives. In yet other sectors, cooperatives are struggling to identify a common direction and interests. In such cases, the existing federation or group has a restricted budget and a role largely limited to representation.

Cooperatives are not immune to the requirements all businesses must now face. To position themselves competitively, cooperatives must increasingly network, share their know-how and resources, and work together to gain greater visibility.

(Claude Béland, President of Mouvement des caisses Desjardins, 1987 to 2000)

Cooperatives that do not or cannot belong to a sectoral network are in a troublesome situation. Cooperatives working in isolation suffer in terms of performance, due to both competition and their limited ability to achieve their economic and social objectives.

This situation is easy to explain: These cooperatives have limited access to strategic business information and sector expertise. They also benefit from few economies of scale from purchasing or service groups. And because they receive little support in managing their associative structure, they suffer more governance problems and instability in their decision making.

Because they are isolated, these cooperatives are much more vulnerable to economic fluctuations and turmoil in the economic and social environment.

REINFORCING ECONOMIC AND ASSOCIATIONAL DIMENSIONS

For cooperatives to continue growing and improving their performance, they must reinforce their economic and associational dimensions.

Economic Dimension

For several years, the two primary cooperative sectors—financial services and the agrifood industry—have been adjusting to new economic realities, including globalization. This has led to a general questioning of the business practices and directions of businesses in these sectors. The resulting adjustments have required firm resolve and great effort but have generated major side benefits, breathing new life into these sectors.

> *The concentration of food distribution companies and the merger of multinational corporations in the areas of seeds and crop protection are further examples of the changes we must address. This unprecedented concentration of stakeholders in the sector has put farmers in a more precarious position.*
>
> *Faced with this rapidly changing environment, Coopérative fédérée de Québec must review its business strategy and adapt its approach in order to continue fulfilling its mission.*
>
> *(Paul Massicotte, President of Coopérative fédérée de Québec, 1992 to 2003)*

Generally speaking, a certain conservatism may be noted in the cooperative movement, particularly with regard to the appropriation of better business practices, although the two largest cooperative sectors have made a strong push in this direction. In other sectors, the degree of penetration of these new business practices varies greatly according to sector. A number of cooperatives—like the majority of small businesses—have limited access to strategic information. Although they are increasingly concerned with being connected to major management trends and new practices, these cooperatives have nearly no strategic support, except in large sectors.

> *Rapidly growing small businesses clearly show the beneficial effects of adopting exemplary business practices. The number of employees in these businesses increased by over 100% from 1990 to 1996. In Québec, these businesses represent only 8% of small manufacturing firms but are the source of over 40% of job growth. They are characterized by*
>
> - *Heavy reliance on best management practices and sophisticated techniques*
> - *Significant emphasis on training*
> - *High employee participation*
> - *A customer-centered structure*
> - *Systematic use of local resources (outside consultants, business networks, educational institutions, etc.)*
>
> *(Institut de recherche sur les PME, Université du Québec à Trois-Rivières, 2000)*

Cooperatives—especially cooperative networks—must consider best business practices, such as comparative analysis, benchmarking, and the *kaizen* method, as well as new value-added production approaches. We believe it is important for these businesses and their managers to understand the benefits of best business practices.

We believe that cooperative groups must acquire this new know-how as a prerequisite to distributing and integrating it into each cooperative in their sector and thereby boosting their competitiveness.

Associational Dimension

Cooperatives that have rapidly grown into businesses with a solid position in their market owe much of their success to their ability to effectively manage their unincorporated associations. In Québec, unlike in Europe, there is currently no general tool for associational oversight. This deficiency deprives cooperatives of one of their key strengths—moving their members toward a common goal.

The cooperative method is based on member endorsement of a philosophy focused largely on the fundamental values of solidarity and democracy. It is accepted that this cooperative philosophy is built mainly through cooperative education, a must for well-structured, motivated participation in the medium and long term. Despite the efforts already expended in this area, the cooperative movement must go much further, particularly in extending a cooperative education to new groups of people. It must use new methods to better reach young people and better highlight the benefits of the cooperative model. All cooperative sectors must address this need to step up education.

> *Of course, the key is to ensure that cooperative education activities give insiders an understanding of the distinct nature of cooperatives, of how they work, and their benefits, role, responsibilities, and requirements. This will allow insiders to participate fully in the cooperative. One might say that without cooperative education, there can be no cooperatives.*
>
> *(Luc Labelle, CEO of Conseil de la coopération du Québec)*

The associational dimension has a number of facets, including cooperative education, of course, but also the democratic process, communication with members, welcoming new members, and settling disputes. A more effective tool for associational oversight, such as the establishment of cooperative certification, seems essential to optimizing the internal strengths of cooperatives.

ACKNOWLEDGE THE ROLE OF COOPERATIVES AND HARMONIZE GOVERNMENT ACTION

To continue growing, cooperatives need the government to harmonize its efforts on their behalf and take concrete action to acknowledge the importance of the cooperative model to Québec's economic and social development.

Coordinating and Harmonizing Government Action

The entire government must become more aware of cooperatives' specific development needs, which are not always given full consideration in the drafting of acts and the preparation of programs and measures.

The integration and harmonization of government action on behalf of cooperative development is vital for the cooperative model to grow. The formula must also receive greater government acknowledgement and support for its special contribution to Québec's social and economic development.

Teaching Cooperation

Teaching about the cooperative model helps highlight and increase understanding of this formula, especially by young people. In this regard, one of the major concerns of the cooperative movement is the seemingly limited attention paid the cooperative model at the secondary, college, and university levels. Cooperation in general seems to receive much less attention than the corporate model. This situation appears to indirectly impact the choices young people make when they enter the business world.

Promoting Cooperatives

Promotion of the cooperative formula has often been described as discreet. The push to increase its visibility has intensified in recent years. Cooperatives are looking to the government and its partners to join in awareness campaigns to promote the cooperative model to the general public, particularly by celebrating the successes of cooperatives in the various sectors in which they operate.

Cooperatives are also less prevalent in urban settings. This presents stakeholders with the special challenge of better informing and reaching urban residents.

Furthermore, it has been observed that the professionals who advise promoters interested in establishing a business have little understanding of the cooperative model. Consequently, they rarely think to present the cooperative as an attractive formula. Ways must be found to better reach this clientele.

Strategic Positioning

Strategically, businesses need a better understanding of their current and future environment. Analyzing globalization and its impact on cooperatives could prove vitally important.

The place cooperatives occupy in the future will depend on their ability to meet the challenges they face. With such an analysis to guide them, they would be better equipped to develop suitable strategies.

Sectors with high cooperative development potential in Québec must also be identified. The results of this research or analysis might be useful in developing targeted strategies for seizing new business opportunities or meeting special public needs.

> ***If collective enterprises are reconfigured solely to mimic capitalist enterprises, they risk losing their uniqueness, their purpose, and their legitimacy. For this reason, they have a duty to redefine themselves and make their new mission a comparative advantage.***
>
> *(Brief by Centre interdisciplinaire et d'information sur les entreprises collectives [CIRIEC] presented at the consultation on the preliminary draft of the Cooperative Development Policy)*

This proactive approach to development based on a medium and long term vision has already yielded positive results in certain cooperative sectors, such as funeral services, where the introduction of a suitable strategy has led to significant growth.

Partnership and Policy Support

Success in disseminating the cooperative model is closely tied to the expansion of partner networks, which can provide exposure for this form of business. New avenues must be explored for strengthening ties between cooperatives and economic development bodies, dovetailing their actions and efforts, and creating new opportunities for cooperation.

Given its mission and the support of its members, the Conseil de la coopération du Québec (CCQ) is the best-positioned organization to promote the cooperative model and encourage partnerships where potential exists.

This policy and all the efforts it will entail to implement it will require a considerable investment of resources and energy by CCQ. We must ensure that the organization is an effective advocate of the cooperative movement and able to push for implementation of the various aspects of the policy.

Long Term Support for Cooperative Development

Official acknowledgement of the importance of cooperatives is vital for the cooperative movement, which wants to make sure it has long term development support it needs. The experience of a number of European countries shows that without this acknowledgement, government efforts in support of cooperative development may fluctuate greatly over time and become beholden to political trends or the economic situation.

> ***Collective enterprises, particularly cooperatives, hold enormous potential to meet aspirations of better distribution of wealth, better public control of the economy, and a better balance between economic and social concerns.***
>
> ***Although these aspirations of economic democratization are growing stronger and clearer, it is obvious that the cooperative model has not yet been fully recognized as a development tool of value.***
>
> *(Brief by Chantier de l'économie sociale presented at the consultation on the preliminary draft of the Cooperative Development Policy)*

Ongoing government support for cooperatives is essential to promoting consistent departmental involvement and supporting cooperative development. Cooperatives must become a concern of the entire government.

CHAPTER 4

A POLICY FOCUSED ON GROWTH

In these times when community commitment and partnership with civil society are considered crucial, it is clear that there is growing potential for worldwide cooperative development and revitalization.

(Kofi Annan, Secretary General of the United Nations)

The cooperative model presents a number of specific benefits that must be put to better use in building the Québec of tomorrow. The prosperity and wellbeing of Quebecers depend on expanding the entrepreneurial base, and the cooperative—by promoting the direct involvement in the economy of a large number of citizens—would appear to be a promising solution.

In the current situation, maintaining responsible local businesses that play an active role in important economic and social sectors is becoming crucial. With the *Cooperative Development Policy*, the Government of Québec has demonstrated its firm resolve to support cooperatives so that these businesses may position themselves solidly with respect to the major challenges they face, especially so that they can contribute even more to the creation of jobs and wealth.

The policy aims to expand the place of cooperatives in Québec's economy.

AMBITIOUS OBJECTIVES

The *Cooperative Development Policy* targets the following ambitious objectives:

- Achieve a net increase of 20,000 cooperative jobs over 10 years, a majority of them in Québec's regions
- Improve the main development indicators, specifically
  - Sales
  - Assets
  - Number of new cooperatives established
  - Number of cooperative members
  - Penetration of sectoral markets
- Accelerate cooperative growth and diversification by increasing cooperative investment by 25% over the next five years
- Expand large cooperatives and keep key decision-making centers in Québec
- Support the emergence of new critical masses of cooperatives in various sectors, especially promising sectors and those that cater to specific needs
- Maintain a high cooperative survival rate in organized sectors and improve this rate in emerging sectors

Not only does this policy target precise, measurable economic results, it is also aimed at encouraging authentic, sustainable, high quality cooperative development.

The success of this policy should not be measured by quantitative indicators alone. It should also be based on social benefits, a dimension inseparable from the cooperative model.

This policy is also aimed at involving the various government departments and bodies able to promote cooperative development within their respective areas of jurisdiction. By combining the

efforts of all, the *Cooperative Development Policy* aims to create a ripple effect and make cooperative development a long term concern.

MAJOR AREAS OF ACTION

To achieve the objectives of the *Cooperative Development Policy*, four major areas of action were selected and received unanimous support in the consultations.

1. Introduce an effective and innovative legal framework
2. Develop or improve capitalization and financing tools suitable for the cooperative environment
3. Improve consulting services available to cooperatives
4. Acknowledge the role of cooperatives by integrating and harmonizing government action in the area of cooperative development

The policy also includes strategic orientations specifically targeting young people.

MEASURES AND COURSES OF ACTION

Developing and implementing the *Cooperative Development Policy* must be a dynamic process. Since the idea for such a policy was raised, a number of cooperative movement demands have received government attention. Thanks to these efforts, a certain number of these measures were announced and passed even before the policy was introduced.

This section presents various measures and courses of action stemming from the four areas of action chosen. Some measures were announced in the past year or months and are already being implemented. Others will be implemented in the coming months.

Some courses of action aimed at future initiatives are also put forward. They will undergo in-depth analysis by the cooperative movement and/or government partners.

AREA 1 INTRODUCE AN EFFECTIVE AND INNOVATIVE LEGAL FRAMEWORK

The *Cooperatives Act* of Québec must be modernized in order to create the most conducive conditions to starting up new cooperatives and speeding the development of existing cooperatives while respecting and reaffirming the values and principles of the cooperative model.

A new legal framework is being developed based on proposals submitted by the cooperative movement and its partners, as well as cooperative legislation in existence elsewhere. In upcoming months, this bill will undergo careful study by various government committees and may then be submitted to the National Assembly for passage.

Strategic Orientation

Modernize the *Cooperatives Act* to step up development of cooperatives

Courses of Action

Reinforce the distinctive legal character of the cooperative and take into account the specifics of the cooperative formula

Modernizing the *Cooperatives Act* will involve reinforcing its distinct nature. The government thus intends to enhance provisions that set the cooperative apart from other corporate bodies and companies. In particular, the cooperative policies specified in the bill will include all the cooperative principles set out by the International Cooperative Alliance (ICA). In addition, the definition of the cooperative will better convey certain distinct features of this type of enterprise, particularly its democratic nature, its collective ownership, and the notion of owner-users.

Provisions will be introduced to better reflect the distinct realities and diversity of the various cooperative sectors.

As for the internal structure of the act, we would like to create a legal tool with a body of general provisions common to all cooperatives and based on the very principles of cooperation. The new act must also be consistent with the internal reality of each cooperative sector and reflect each sector's specific needs, which implies special provisions for all cooperative sectors that so require.

(Brief by Conseil de la coopération du Québec on the preliminary draft of the Cooperative Development Policy)

During the consultation, the cooperative movement deemed that the forms of partnership currently permitted by the five types of cooperative are sufficient and suitably address the various situations that arise in cooperative development.

However, each type of cooperative—consumer, producer, work, shareholder-worker, and solidarity—will now be clearly identified by the bill, which will include provisions to ensure better operation and development. For example, specific provisions will be introduced for producer cooperatives in order to include in the act this important cooperative environment that currently exists only at the administrative level.

In the interest of cooperative authenticity, the bill will also include specifics on the shareholder-worker cooperative (CTA) in order to ensure the development of this formula. Analysis of CTA data reveals the need to better clarify this type of cooperative in order to allow workers to participate more concretely in the growth of the business that employs them. Furthermore, in order to take into account the special situation of minority shareholder-worker cooperatives, specific profitsharing rules are currently being examined.

Provisions on the solidarity cooperative will also be modified to better adapt this young but promising formula and make it even more effective. Thus, the rules for setting up such a cooperative will be eased in order to allow the presence of supporting members as founders and to acknowledge the participation of these members in the cooperative startup process.

Currently, the act requires that solidarity cooperatives include user members and worker members and allows the presence of supporting members. New proposals call for solidarity cooperatives to have the power to modify this membership approach. The bill could propose allowing the establishment of solidarity cooperatives consisting of only user members and supporting members or, alternately, only worker members and supporting members.

Some special requests by certain sectors and types of cooperative—such as housing cooperatives, educational cooperatives, and work cooperatives—will also be considered.

In the area of housing, measures aimed at ensuring the long term viability of cooperative housing will be added to the bill following work under way by the Société d'habitation du Québec and the Confédération québécoise des coopératives d'habitation. To ensure consistency in the legislation, the Régie du logement will also be invited to contribute to this work.

With regard to educational cooperatives, the bill will more clearly identify these enterprises and their obligation to maintain a permanent place of business and headquarters in at least one educational institution where they provide services.

Finally, the bill will include provisions specific to work cooperatives aimed at better supporting the cooperative dimension of these enterprises.

Improve capitalization

A few years ago, the concept of "participating preferred shares" was introduced into the *Cooperatives Act*. Designed to attract outside capital to cooperatives, these shares did not attain their objective, as their yield was based on an annual decision by cooperative members. Investors could thus never be certain of their yield.

To promote the participation of outside sources of cooperative financing, some provisions of the act were recently modified. Thus, cooperatives can now issue participating preferred shares with features and a yield determined once for their entire lifetime. This now more attractive capitalization tool should promote investment in cooperatives by outside backers while preserving cooperative autonomy.

Apart from improving participating preferred shares, the cooperative movement is generally satisfied with the current capital structure. The cooperative movement did not support the introduction of shares without par value or with a redemption premium, as doing so would stray from the cooperative philosophy. Still, a number of proposals for improving capitalization tools were set out and discussed in the section on capitalization and financing.

Lastly, also in the interest of supporting cooperative capitalization, the bill will clarify shareholders' rights with respect to access to information on their shares (copy of share features and access to financial information on the cooperative). In addition, a modification to the rules prohibiting share redemption to outgoing members will be proposed to specify that the board of directors must henceforth demonstrate that share redemption might harm the financial stability of the cooperative.

Reaffirm the nondivisibility of the general reserve

The general reserve in a cooperative is the equivalent of retained earnings in a joint stock company. This general reserve—the asset base the cooperative accumulates over the years—is nondivisible among members for as long as the cooperative is in operation. It is also subject to devolution[17] or remittance to the cooperative movement in the event of liquidation.

The issue of general reserve nondivisibility has sparked a complicated debate in which opinions are fairly divided. Yet, the briefs received reveal a clear majority in favor of the establishment of a nondivisible general reserve with minimum contributions subject to statutory requirements.

The briefs also revealed an openness to special arrangements for producer and work cooperatives. In addition to building up a collective asset base, it was generally agreed to allow these cooperatives to establish individual asset bases to take into account the considerable financial efforts expended and risks incurred by their members, as well as the special objective of these enterprises. The bill would thus allow producer and work cooperatives to partially share profits with nonmembers under certain conditions through the issuing of preferred share dividends, but set up in such a way as to ensure the ongoing capitalization of the enterprise.

This more flexible approach will, however, require reaffirmation of the need for a nondivisible general reserve as a financial base, a leverage to financing, a complement to member-supplied capital, and a distinct feature of the cooperative structure.

17. Except for agricultural cooperatives governed by Chapter 1 of Title II of the *Cooperatives Act*.

Strengthen sectoral networks

The government is concerned with strengthening sectoral networks. The cooperative movement shares this concern, and particularly wishes to solidify existing networks. However, the cooperative movement does not believe a cooperative should be required to join a federation, as this goes against the cooperative philosophy of freedom of membership. Instead, the movement suggests that nonaffiliated cooperatives contribute financially to the development of their sector, as these enterprises also benefit from the efforts of the group working in their sector.

Regional and sectoral cooperative groups support the creation of an associational oversight tool (cooperative certification) aimed at promoting best cooperative practices. They also recommend that this tool not be mandatory but encouraged through incentives such as technical assistance with implementation and greater promotion of tool use. The groups that took part in the consultation have asked the government to participate technically and financially in the creation of such a tool.

Some demand that the powers of federations be strengthened in order to ensure sectoral cohesion. In particular, they call for inspection and auditing powers with respect to affiliated cooperatives that do not seem to be operating according to cooperative rules. The idea of allowing federations to pursue a more diverse membership is also being considered. Such an avenue, if chosen, could allow noncooperative enterprises to join a federation according to terms that ensure cooperative control.

Improve operation of cooperatives

The various cooperative stakeholders have expressed general satisfaction with the *Cooperatives Act* in terms of cooperative operating mechanisms. In addition, with its flexible legal framework, the bill will give cooperatives more room for self-regulation in various areas, such as the establishment of dispute settlement mechanisms and the ability of a producer cooperative to specify a probationary period as a prerequisite to producer membership.

The cooperative movement and the government—an increasingly significant partner in cooperative development—must be able to ensure that efforts on behalf of development benefit cooperatives that are truly operating according to cooperative policies. To this end, new provisions for verifying cooperative authenticity in case of dispute will be discussed with the cooperative movement.

In terms of amending the *Cooperatives Act*, the partners consulted are in favor of maintaining the primary rules of cooperative operation, as well as the instructional nature of the act. They also call for administrative easing.

In accordance with government objectives of easing regulations, the regulations for act implementation will be substantially reduced, particularly with regard to required forms and notices. The bill will also specify that administrative requirements be simplified to eliminate duplication, particularly as regards the legal advertising of enterprises.

Lastly, the bill will present a number of amendments aimed at simplification, clarification, and harmonization. Thus, it will propose continuance mechanisms for businesses moving from nonprofit to cooperative status in order to meet demands to facilitate such changes. The bill will contain provisions for the merger of a nonprofit and a cooperative. Reworking the *Cooperatives Act* will also provide an opportunity to clarify topics that have given rise to contradictory interpretations, such as the exclusive powers granted to boards of directors. Finally, modernization of the legal framework applicable to nonfinancial cooperatives will be completed upon passage of a bill to this effect in the National Assembly.

AREA 2 DEVELOP OR IMPROVE CAPITALIZATION AND FINANCING TOOLS SUITABLE FOR THE COOPERATIVE ENVIRONMENT

Cooperatives must have access to capitalization and financing tools in order to obtain the capital they need to increase their investment in upcoming years.

By making special financing tools available to cooperatives, the aim is also to promote the expansion of large cooperatives and keep key decision-making centers in Québec.

This area includes two strategic orientations:

1. *Ensure adequate funding for supporting the emergence and growth of cooperatives*
2. *Increase the equity of cooperatives in order to improve their capitalization*

Strategic Orientation

Ensure adequate funding for supporting the emergence and growth of cooperatives

Measure to Come

Expand government involvement in the Réseau d'investissement social du Québec (RISQ)

The Réseau d'investissement social du Québec (RISQ) is a fund established in 1997 to provide financing support to social economy enterprises, including cooperatives. RISQ has two missions—capitalization and technical assistance.

The amounts granted for capitalization usually do not exceed $50,000 per project, while those for technical assistance are generally under $5,000. In the latter case, RISQ makes loans to help collective enterprises bear the cost of specialized technical assistance services tailored to their needs. As of March 31, 2002, RISQ had invested nearly $3,500,000 in 178 projects.

To help RISQ fulfill its role of providing capitalization support, the government is allocating $900,000 over three years to offset the organization's operating costs.

Measures Passed Recently

Set up Capital régional et coopératif Desjardins (CRCD)

The projected growth of cooperatives in upcoming years will require considerable capital. Direct contributions by members will continue to be a key source of capital. However, to achieve expected performance objectives with regard to investment, massive injections of outside funding will be necessary.

Mouvement Desjardins and the nonfinancial cooperative community thus set about to build bridges, which led to the 2001 establishment of Capital régional et coopératif Desjardins, a fund that can collect up to $150 million per year from individuals, or $1.5 billion over 10 years.

A minimum of 60% of the fund capital must be invested in eligible enterprises or cooperatives. Of this portion, at least 35%—just over 20% of the total capital—must be invested in resource regions or throughout Québec in the case of cooperatives[18].

Fund subscribers benefit from a tax credit equal to 50% of the amount they invest, up to $1,250. To help launch the fund, the Government of Québec granted it a $5 million subsidy.

18. From the 2000-2001 budget (Resource Region Economic Development Strategy), p. 126.

Establish the Programme favorisant la capitalisation des entreprises d'économie sociale and the Programme favorisant le financement de l'entrepreneuriat collectif at Investissement Québec

La Financière du Québec runs two programs for cooperatives and nonprofits. The primary focus of the *Programme favorisant le financement de l'entrepreneuriat collectif* is providing loan guarantees to financial institutions.

However, the cooperative movement would like La Financière du Québec to focus more on financial products that can improve the capitalization or equity of cooperatives.

To meet the demand of cooperatives and nonprofits in the social economy sector, creation of the *Programme favorisant la capitalisation des entreprises d'économie sociale* was announced in the 2002–2003 Budget Speech. This program currently in effect has a budget of $15 million. An additional $1.25 million is earmarked for partial waivers of interest.

With the advent of the *Programme favorisant le financement de l'entrepreneuriat collectif*, La Financière du Québec is now able to provide general guarantees to funds that finance social economy entreprises. This new option allows it to work with businesses directly, based on their needs, even when these businesses are too small to meet the cooperation's regular criteria.

Inject additional capital into the Réseau d'investissement social du Québec (RISQ)

In the 2001–2002 Budget Speech, the injection of an additional $2.6 million into RISQ was announced. This was in addition to the $4 million already granted by the government and the $4.3 million injected by private subscribers. A tax deduction of 150% of the amount invested in RISQ by corporations was also established.

Create Filaction, the fund to support community funds

Fond*action*, a workers' fund, has supported the development of collective entreprises since its inception. To meet the needs of small scale projects, Fond*action* created a nonprofit—Fil*action*. Fil*action*'s investments range from $50,000 to $150,000 and it provides services to the clientele of cooperatives and nonprofits.

In order to get Fil*action* off the ground, the Ministère des Régions authorized a $1.5 million grant to cover its operating costs. This grant will be paid in yearly installments of $300,000 for fiscal years 2001–2002 to 2005–2006. Fond*action* will invest $7 million during this period and anticipates that this new financial instrument will help it reach over 1,000 businesses and create or maintain over 3,000 jobs in five years.

Strategic Orientation

Increase the equity of cooperatives in order to improve their capitalization

Measure to Come

Partially abolish the limit on allocation and deductibility of patronage dividends

The government intends to amend the rules limiting profitsharing with nonmembers, taking an approach that strikes a balance between improving the financial structure of cooperatives and achieving better financial returns for members.

Thus, for producer and worker cooperatives only, the bill amending the *Cooperatives Act* will suggest modifications aimed at allowing partial profitsharing with nonmembers under certain conditions.

As regards Québec tax law, amendments will make the patronage dividend amount deductible from the income of such cooperatives equal to the amount of profits it would be authorized to distribute under the *Cooperatives Act*. More specifically, for allocated patronage dividends, a cooperative may deduct more than the profit achieved with its members, up to an amount equal to the partial profitsharing amount permitted under Québec law.

Current modernization of the *Cooperatives Act* will thus include proposals for reorganizing the capital structure of producer cooperatives and work cooperatives in order to promote increased investment by members of these cooperatives.

Course of Action

Support demands by the cooperative movement regarding federal taxation

In recent months, the cooperative community has made various representations to federal tax authorities aimed at introducing special measures on the taxation of cooperatives and their members.

In February 2002, the Secretary of State for Rural Development and Agriculture and Agri-food Canada announced the completion of a three-part study on cooperatives covering capitalization, technical assistance, and governance and leadership. This study should allow federal authorities to flesh out a position with respect to the tax demands formulated by the cooperatives.

Work cooperatives in Québec outside the agrifood sector have on several occasions asked that a cooperative investment plan be established at the federal level. Cooperatives in other provinces have echoed this demand. The issue is still pending.

Given this situation, the Government of Québec intends to monitor the federal government's progress in this area and take action as necessary to support cooperatives in terms of the special taxation measures it will have already implemented itself for Québec cooperatives.

Measures Passed Recently

Enhance the Québec Cooperative Investment Plan (RIC)

Cooperatives will need substantial injections of fresh capital in upcoming years in order to attain their full growth potential.

The RIC is aimed at increasing the invested capital of cooperatives by providing tax breaks to the members and workers of eligible cooperatives. Because member-supplied capital is the capital base of these enterprises, the RIC must be allowed to play a greater role in cooperative capitalization. In the 2001–2002 Budget Speech, an increase in the annual eligible investment cap for plan participants was announced. This cap was raised from 10% to 30% of personal income.

More recently, the Ministère des Finances also announced eligibility for the RIC deduction under the simplified tax system. This decision will give members and workers of eligible cooperatives who earn less than $30,000 a year an incentive to contribute more to the capitalization of their cooperatives. This demand also met with consensus within the cooperative movement.

Postpone taxation of patronage dividends paid in the form of preferred shares for members of eligible cooperatives

Profit reinvestment is another way to build cooperative capitalization. Yet, up to now, the patronage dividends paid to members in the form of preferred shares in the cooperative were included in members' income for the tax year in which these dividends were paid.

The negative impact of this taxation on member liquidities directly reduced member interest in this type of investment. Because of this, cooperatives could not objectively expect significant capitalization from their members.

In order to encourage members of work and producer cooperatives to contribute to the development of their enterprises, a new tax measure announced on February 21, 2002, now makes it possible to postpone the taxation of patronage dividends paid in the form of privileged shares in an eligible cooperative until the member later disposes of these shares.

This postponement of taxation is allowed for eligible patronage dividends received by members of an eligible cooperative over the next 10 years. For a cooperative to benefit from this measure, its capitalization rate must not exceed 50% at the end of the fiscal year preceding the tax year in which a patronage dividend was paid.

Recent concrete government actions and new initiatives will help promote the development, financing, and capitalization of Québec's cooperatives. Thanks to these efforts, the cooperative community will be better equipped to continue its growth.

AREA 3 IMPROVE CONSULTING SERVICES AVAILABLE TO COOPERATIVES

The objectives of improving the consulting services available to cooperatives are to promote the emergence of new critical masses of cooperatives in new sectors—including promising sectors—to maintain the high survival rate of cooperatives in federated sectors, and to improve this rate in other sectors.

Area 3 includes five strategic orientations:

1. *Improve consulting services available to cooperative startups*
2. *Strengthen specialized oversight and federated operations*
3. *Increase the quantity and variety of multipliers for the cooperative formula*
4. *Enhance the competitiveness of cooperative enterprises*
5. *Help strengthen the associational dimension of cooperatives*

Strategic Orientation

Improve consulting services available to cooperative startups

Measure to Come

Renew and enhance the Programme d'aide aux coopératives de développement régional (CDR)

Since the mid-90s, the pace of new cooperative startups has skyrocketed in Québec. The *Programme d'aide aux coopératives de développement régional* was largely responsible for this growth, by better promoting the cooperative model, increasing regional cooperation between cooperatives and community partners, and above all providing assistance and support services to promoters wishing to launch cooperative projects.

Since its inception, the *Programme d'aide aux coopératives de développement régional* has helped create or maintain 11,500 jobs. It was renewed until March 31, 2004, with an annual budget of $3,577,500.

Despite the program's encouraging results in terms of cooperative survival rate and jobs created or maintained, other avenues will be explored for ensuring better CDR oversight of cooperative startups. This approach focused on post-startup assistance should help further strengthen new cooperatives, especially those active in emerging fields.

Thanks to these positive results, the government has announced a grant of $7,655,000 over two years to continue this program beyond March 2004.

Strategic Orientation

Strengthen specialized oversight and federated operations

Measures to Come

Set up a specialized coop retention and oversight program for the cooperative federations

Regional development cooperatives, CLDs, and certain other organizations provide post-startup services to enterprises. These fairly general services are crucial for helping promoters successfully launch and consolidate their enterprises. In addition, experience has shown that these services must be supplemented by specialized services at the sectoral level. The availability of these services has been observed to have a direct impact on cooperative survival rate and growth.

Sectoral cooperative foundations are able to provide this specialized oversight and play a key role in disseminating and sharing know-how. In sectors where they are well established, these organizations have shown their skill in terms of both business turnaround and prevention initiatives, providing specialized assistance and oversight methods in various business areas.

Since existing cooperatives will generate a large share of future cooperative jobs, a new measure will be established focusing on the retention and specialized oversight efforts of cooperative federations. This measure will specifically target structuring activities, including

- Support services for cooperatives in difficulty or in need of consolidation (organizational and cooperative diagnosis, assistance with strengthening decision-making structures, strategic personnel hiring assistance, turnaround consulting, etc.)
- The sharing of know-how and expertise among cooperatives in the same or different sectors

The government is granting $5,500,000 over three years for this new program.

Renew and enhance the Programme de soutien aux regroupements sectoriels en économie sociale

Participants at the 1996 Economic and Employment Summit stressed that social economy enterprises, including cooperatives, develop more readily and quickly in the presence of sectoral networks. A program for cooperative groups and nonprofit groups was therefore created in 1999–2000 to support the structuring activities of existing groups and promote the emergence of such groups in new sectors.

Sectoral groups may receive financial assistance for projects involving the development and implementation of specific management tools, common administrative tools, networking instruments, marketing tools, and buying groups.

The program also encourages projects involving the development and application of standards of quality, the broadening of management expertise, and the completion of feasibility studies prior to group creation.

According to March 31, 2002 data, this program helped support 19 groups by financing 51 projects, 20 of which were cooperative in nature. The financial assistance provided helped reach over 2,500 enterprises employing 34,300 persons, including 11,900 in cooperatives.

It should be remembered that this program is not focused on direct action, business by business. Its objective is to support network initiatives or services that can, for example, foster economies of scale, increase the competitiveness of businesses, or help them penetrate new markets.

Given the general satisfaction expressed by cooperatives and partners during the consultations, this program will be renewed and adapted based on the results of the assessment under way. The government will therefore grant $4,500,000 over three years to help continue this program.

Strategic Orientation

Increase the quantity and variety of multipliers for the cooperative formula

Course of Action

Support the development of regional and sectoral partners in the development of cooperatives

The presence of the cooperative model in new economic activities, with new client groups, and in certain regions depends heavily on partnerships with strategic business development players.

The Conseil de la coopération du Québec recognizes this situation and has already entered into an agreement with the CLD association to help coordinate the efforts of CLDs and cooperative organizations that support cooperative development. Each development organization possesses special expertise or personal networks that can be used to common benefit.

To enhance synergy in cooperative development, the government intends to promote new partnerships both sectorally and regionally between cooperative players and the various socioeconomic partners.

Strategic Orientation

Enhance the competitiveness of cooperative enterprises

Courses of Action

Support research and innovation

Cooperatives are more concentrated in basic economic sectors. Like many Québec businesses, cooperatives face the challenge of enhancing the added value of their products in upcoming years.

They must expend a great deal of effort to develop new markets or retain existing ones by launching new products, e.g., niche products and secondary and tertiary food or lumber products. To support their efforts, the government undertakes to

- Promote new product research and development
- Publicize and apply existing research and innovation programs
- Encourage the formation of business partnerships in production and marketing

Promote best business practices

The new business environment, characterized by increasing competition in all sectors, requires the emergence of businesses that can quickly adjust to market imperatives.

The businesses of tomorrow must be on the lookout for major trends and ride the cutting edge of new production, marketing, and management methods. Cooperatives in all sectors must therefore have access to this strategic know-how that can give them a comparative advantage.

In fall 2001, the Ministère de l'Industrie et du Commerce launched the *Stratégie québécoise pour améliorer la compétitivité des entreprises* on the theme "Building the businesses of tomorrow today." This strategy proposes an approach and specific tools aimed at the various functions of businesses.

The government undertakes to make a special effort to sensitize sectoral federations, CDRs, and cooperatives to best business practices in order to spur the introduction of these tools that can help boost competitiveness. It further undertakes to promote these tools and tailor them as required to the various cooperative client groups.

Strategic Orientation

Help strengthen the associational dimension of cooperatives

Measure to Come

Develop and distribute a certification tool for cooperatives

The cooperative movement is exploring various avenues for better structuring the associational dimension of cooperatives—the very backbone of these organizations. Unlike companies, cooperatives require active member participation in order to function and grow. This participation must be encouraged, structured, and focused on concrete common objectives.

Some cooperatives have developed winning strategies for managing the associational aspect of their business through various means of action and monitoring. Experiments are under way in some networks to validate a new cooperative certification tool that could be transposed to all cooperative sectors. This tool would be aimed at better highlighting the associational dimension (e.g., improving member participation, better informing and training members, improving regulation of the decision-making process, etc.).

Considering the cooperative movement's substantial involvement in the project, the government supports creating such a tool and making it available to the entire cooperative movement. An amount of $265,000 spread over three years has thus been earmarked for the implementation of this promising initiative.

AREA 4 ACKNOWLEDGE THE ROLE OF COOPERATIVES BY INTEGRATING AND HARMONIZING GOVERNMENT ACTION IN THE AREA OF COOPERATIVE DEVELOPMENT

The government intends to actively promote, support, and foster the growth of the cooperative system through various programs, acts, and initiatives.

All government departments and organizations are invited to help draft the policy's main orientations and particularly to suggest ways of promoting the creation and growth of cooperatives in their fields of jurisdiction. To this end, a variety of government representatives will be invited, in cooperation with the cooperative movement, to take part in special initiatives that will have a direct impact on cooperative development.

At various times in the past, the Government of Québec has implemented measures to help cooperatives thrive and meet their members' social and economic needs. Like other businesses, cooperatives, especially those in emerging fields and economically depressed regions, require special help to grow.

The six strategic orientations of area 4 are

1. *Recognize the Conseil de la coopération du Québec as the cooperative movement's representative body*
2. *Enlist the support of the entire government in fostering cooperative development*
3. *Promote the cooperative formula and enhance coop visibility*
4. *Increase the quantity of cooperative training at every level of the educational system*
5. *Promote partnerships between cooperatives and the government in a variety of areas*
6. *Encourage cooperatives to position themselves strategically in relation to major social and economic trends*

Strategic Orientation

Recognize the Conseil de la coopération du Québec as the cooperative movement's representative body

Measure to Come

Support specific structuring initiatives by the cooperative movement and the Conseil de la coopération du Québec

Under the terms of this policy, the Government of Québec officially recognizes the Conseil de la coopération du Québec (CCQ) as the representative of the Québec cooperative movement. This organization, which was founded in 1940, is duly mandated to represent all cooperatives across Québec.

In order to help the cooperative movement and its representative CCQ efficiently provide input on how the *Cooperative Development Policy* is implemented, concrete support will be provided for certain structuring activities arising from the policy's orientations. This support is not intended to finance CCQ operations.

The structuring activities to receive support will be those in the following three areas:

- Coordination of strategic initiatives and promotion of partnerships
- Strategic intelligence and research
- Training of cooperative managers and cooperative education

Coordination of strategic initiatives and promotion of partnerships

A number of new initiatives are required to help cooperatives expand into new economic areas and conclude new partnerships. Clear steps must also be taken to get the cooperative movement to work together and share expertise. Financial help appears necessary to support such initiatives, which are a direct result of the policy.

Strategic intelligence and research

Cooperatives have been more active in recent years in seeking out strategic information, both in terms of business practices and learning about how cooperatives are run in other parts of the world. Mutually beneficial partnerships have notably been established between large cooperatives and Québec universities.

The constant need to be more competitive demands that cooperatives have easy access to relevant, targeted information. Strategic intelligence will therefore be undertaken in order to identify all factors that could positively influence cooperatives' development.

Training of cooperative managers and cooperative education

A government assistance program for the training of cooperative managers existed for almost fifteen years. Cooperatives wish to see a similar program reinstated, as a large number of cooperative managers have little to no experience when first starting out. Training like this would strengthen and improve their decision-making skills.

Various cooperative sectors and the Fondation pour l'éducation à la coopération devote considerable time and effort to cooperative education, an essential task given the unique philosophy and operating mode of cooperative businesses. The high turnover rate of members and administrators in certain fields and the emergence of cooperatives in new areas create a need for high-caliber cooperative education that is suited to the times.

The government has earmarked a sum of $1,800,000 over three years for the cooperative movement and CCQ to carry out structuring activities in accordance with the terms of the *Cooperative Development Policy*.

Strategic Orientation

Enlist the support of the entire government in fostering cooperative development

Measure to Come

Maintain a government mandate in matters of cooperative development

The government's commitment to fostering the growth of cooperatives was reconfirmed on December 19, 2002, with the adoption of the *Act respecting the Ministère des Finances, de l'Économie et de la Recherche*. The Act explicitly lays out the government's duty to foster and support the growth of cooperatives.

Under the Act, the department administers the *Cooperatives Act* as well as related measures and programs like the *Programme d'aide aux coopératives de développement régional* and the *Cooperative Investment Plan*.

As the department responsible for cooperatives, it is involved in all issues affecting them and thus liaises with the main departments and government organizations that have regular dealings with the cooperative movement. The department also provides information, research, and many other support services to cooperatives across Québec.

The cooperative movement would like to see the government step up MFER's interdepartmental liaison and monitoring role as well as its ongoing support to individual cooperatives and specific cooperative sectors. The *Cooperative Development Policy* will help the department address the concerns of cooperatives in a consistent and long term way.

Course of Action

Take the distinct nature of cooperatives into account in government programs, legislation, and measures

Quebecers and government bodies do not always understand the cooperative model, which means that its needs are not always adequately addressed in new programs, acts, or measures. To solve this problem, all departments will be urged to take cooperatives' special concerns into account when choosing a course of action.

This means

- Cooperatives will be invited to participate in round tables or on government committees whose work will impact cooperative development
- Concrete measures will be proposed to ensure that cooperatives are represented on the boards of directors of public or publicly supported bodies with a vested interest in cooperatives
- Each department that deals regularly with cooperatives will assign an employee to deal with their concerns
- Cooperatives will be taken into account when policies are drafted that affect cooperatives or the cooperative model

Strategic Orientation

Promote the cooperative formula and enhance coop visibility

Course of Action

Educate socioeconomic actors and agents about the cooperative formula

For socioeconomic agents to give a more thorough picture of the cooperative model to project promoters, they must first know exactly what it is. It is thus essential that agents be made aware of this business formula.

Regularly providing special training to all socio-economic agents across Québec would increase the cooperative model's profile.

In order for the model to reach a wider audience, it must also be promoted to professionals who work with companies.

An awareness campaign targeting the main professional groups that provide advice to companies (accountants, lawyers, notaries, etc.) would be appropriate. The campaign could stress the concrete advantages of the cooperative formula for dealing with problems such as transferring ownership in SMEs.

The government will support the steps taken to increase awareness of cooperatives among socio-economic agents and professionals providing advice to companies.

Measure to Come

Establish "Distinctions Coopératives" awards

The adoption of best business and associational practices by cooperatives should be encouraged and supported. Such practices are essential for realizing cooperatives full development potential.

The creation of Québec-wide cooperative awards would turn the spotlight on cooperative success stories. These awards could complement those already handed out by CCQ to recognize individuals in the cooperative sector.

The government intends to support the implementation of cooperative awards to promote the adoption of innovative practices.

Strategic Orientation

Increase the quantity of cooperative training at every level of the educational system

Course of Action

Increase teaching of cooperation at different levels of the school system

The division of responsibilities between the Ministère de l'Éducation du Québec and the various teacher groups varies according to the level taught. The general thrust of programs at the primary and high school levels are mainly MEQ's responsibility, while learning institutions have more autonomy at the college and university level. The differences between primary and high school instruction on the one hand and higher education on the other mean that different teaching methods are required.

Primary and High School Instruction

- The new training program already in place in primary schools and coming soon to high schools puts the emphasis on learning activities. Cooperatives are one of the things students will learn about and textbooks will reflect this fact.
- As part of the *Youth Action Plan,* assigning credits to young people who serve on the board of directors of a cooperative is being considered, among other things
- To meet schools' growing need for training and information on a teaching method known as "cooperative learning," a cooperative learning center has been established. The university-based center offers courses on cooperative learning and advanced instruction and is responsible for evaluating the efficacy of cooperative learning training strategies and measuring their impact.

MEQ and CCQ will be examining various options to determine their future involvement in the measures cited above and others.

Higher Education

Approaches will be made to the main organizations responsible for higher education—the Fédération des cégeps, the Association des collèges privés du Québec , and the Conference of Rectors and Principals of Québec Universities—to encourage concrete action to increase the focus on cooperatives at the college and university levels.

Strategic Orientation

Promote partnerships between cooperatives and the government in a variety of areas

Course of Action

Promote business partnerships between cooperatives and the government

In many European countries, governments and cooperatives form close business partnerships, with cooperatives providing certain kinds of services that generally have a social value.

In Québec, cooperatives and NPOs are specifically targeted by the *Financial Assistance Program for Domestic Help Services*, which provides a framework for the homecare industry and has enabled its 103 companies to grow substantially.

The feasibility of creating new business partnerships between cooperatives and the Government of Québec will be carefully analyzed.

Identify key orientations in the cooperative housing sector

The talks begun with the main partners in cooperative housing will be continued to determine key orientations and select which methods would best meet their needs.

In the short term, the discussions will focus on harmonizing the work of the various partners and providing additional support to cooperative housing groups and the Confédération québécoise des coopératives d'habitation so that these organizations may offer cooperatives greater organizational, financial, and housing assistance without compromising their autonomy.

The viability of cooperative housing, the preconditions to its success, and its ability to meet future needs will also be examined.

Strategic Orientation

Encourage cooperatives to position themselves strategically in relation to major social and economic trends

Measures to Come

Conduct studies on how globalization affects cooperatives

Up to now, studies on the role of cooperatives have mainly focused on their place in the Québec economy. However, it seems increasingly important to broaden the discussion to include the challenges of economic globalization. A better determination of the issues at stake and identification of the constraints and problems cooperatives face are essential if cooperatives are to overcome the future challenges they will face.

The government has earmarked a sum of $150,000 for conducting studies on globalization and its impact on cooperatives.

Identify sectors with good potential for cooperatives

At the same time that globalization is studied, it would also be advisable to perform an analysis of sectors where the cooperative system could spur development. The study should also identify specific strategies to help cooperative businesses gain a foothold in these new sectors.

The joint efforts of the cooperative movement and the government will help orient cooperative businesses towards promising sectors and make it easier for them to diversify.

The government intends to provide technical and financial support for the study.

Course of Action

Build partnerships between cooperatives and other enterprises in the social economy

In areas of mutual interest, cooperatives have enjoyed the support of other social economy enterprises in requesting that the government implement measures addressing their special needs. It was the combined efforts of cooperatives and NPOs, as well as the Conseil de la coopération du Québec and the Chantier de l'économie sociale, that led to initiatives conducive to collective entrepreneurship in Québec.

The government intends to further promote partnerships between the main organizations that work with cooperative businesses with the aim of fostering their growth while respecting their differences.

INITIATIVES SPECIFICALLY AIMED AT YOUNG PEOPLE

Certain measures or actions in the *Cooperative Development Policy* are specifically aimed at young people. The measures have been grouped together to better illustrate what assistance and support the policy will give this clientele, which is receptive to the cooperative model[19] and represents the future of today's movement.

Two strategic orientations

1. ***Finance and support projects developed by young people***
2. ***Increase awareness of the cooperative system among young people, especially adolescents***

Strategic Orientation

Finance and support projects developed by young people

Course of Action

Position the Campus Coopératives formula

The Campus Coopératives formula is similar in concept to small business incubators. The formula, which was developed in France, has met with particular success in getting work cooperatives off the ground. Completed in three stages, Campus Coopératives is an entrepreneurial exercise that lasts around eight months. For the last three years, it has been tested in Montréal and various regions with the financial support of the *Fonds de lutte contre la pauvreté*.

The Campus Coopératives formula reaches young entrepreneurs, especially those in urban areas, by providing them with specialized advice on starting their businesses.

The Ministère de l'Emploi et de la Solidarité sociale and the Ministère des Relations avec les citoyens et de l'Immigration are studying how they can work together to pursue the Campus Coopératives formula over the next few years.

Measures Recently Adopted

Establish Audace, a financial aid program for young cooperative entrepreneurs in the regions

During the Québec Youth Summit in February 2000, a financial measure was devised to keep more young people in outlying regions. The Audace program is managed by the Fédération des coopératives de développement régional.

19. A survey commissioned by Conseil de la coopération du Québec revealed among other things that 62% of young people aged 13 to 35 have very great confidence in cooperatives.

The objectives of this initiative, which is aimed at youth aged 18 to 35, are the following:

- Create permanent jobs and enterprises in the regions
- Recreate a vibrant economy outside of main urban centers
- Counteract the exodus of young people from rural regions

This measure, which was launched in fall 2001 with funds from the *Fonds Jeunesse*, provides funding on top of young peoples' startup capital to help them undertake cooperative projects. With this financial support, youth will be encouraged to create exciting new businesses in outlying areas.

The measure has a budget of $2.4 million lasting until October 2004.

Set up a multipurpose portal on cooperatives in the school community

Because of their young clientele, student cooperatives have been on the front line of the electronic business revolution. In 2001, the Fédération québécoise des coopératives en milieu scolaire (FQCMS) therefore announced plans to create a multipurpose portal.

The portal will provide an e-commerce gateway for FQCMS in the student product market (books, computer equipment, various supplies, etc.).

By creating a transactional platform, student cooperatives will be able to offer a wider array of products and services and compete on a more equal footing with their mainly foreign competitors. The platform will also make numerous services available to student cooperatives, making them more competitive and networking them more closely together.

The creation of the portal was made possible thanks to the *Fonds de l'autoroute de l'information* and the *Programme de soutien aux regroupements sectoriels en économie sociale*.

Strategic Orientation

Promote the cooperative formula among young people, especially teens

Measure to Come

Develop a measure to promote the cooperative formula

The cooperative formula draws strength from its deep roots in certain communities, particularly rural and semi-urban regions. But the cooperative movement also wishes to reach a greater number of people in urban regions and cultural communities.

To do so, it intends to increasingly focus its efforts on promoting the cooperative formula to young people in these settings. The positive experience of youth services coops and student coops in urban areas shows there is potential to tap if proper measures are taken.

Though it is up to the cooperative movement to promote the cooperative model, the government can help it reach a wide audience by giving it the necessary support. Using new information technologies to reach young people is one avenue worth exploring.

The government will also support broader efforts aimed at promoting the cooperative formula (mass ad campaigns, partnerships with various economic agents, presentation of cooperative success stories, etc.) and expanding cooperatives' customer base, particularly among youth. To this end, the government has set aside a sum of $1,300,000 over three years.

Measure Recently Adopted

Set up the second student fund for youth services coops (Government of Québec and Solidarity Fund QFL)

During the Québec Youth Summit, the youth services coop concept was recognized as contributing to the overall development of adolescents.

The youth services coop (YSC) model was developed in Québec by the Regroupement québécois des coopérateurs et coopératrices du travail (RQCCT). The model is intended for young people aged 13 to 18. It helps them start a small scale cooperative business and assume all principal duties (marketing, accounting, personnel management, production, etc.). For a fixed period (generally during the summer vacation), they learn how to manage a business that provides them with seasonal work. YSCs provide various services to the community like lawn mowing, painting, gardening, repairs, general maintenance, etc.

The number of YSCs has grown rapidly. There were 59 in 1998, 76 in 1999, and 104 in 2002. Each YSC employs some 15 young people, who are generally trained by two supervisors and sponsored by two community organizations.

In 2000, the FTQ Solidarity Fund and the Ministère de l'Industrie et du Commerce joined forces to create a fund whose interest payments finance supervisors' YSC work placements.

The amounts invested by the two partners over ten years serve to provide students at the college and university level with valuable work experience as well as provide training and supervision to youth at each YSC to give their projects a better chance of success. Studies are also ongoing to determine how the YSC support structure can be made permanent.

CONCLUSION

It is due to the forward thinking and enlightened input of socioeconomic partners, the cooperative movement itself, and the departments and organizations consulted that the *Cooperative Development Policy* will achieve its ambitious objectives. The policy is a perfect example of how working together and sharing resources can advance the development of the Québec corporate model.

> ***Cooperatives are businesses that are here to stay, rooted in their fields and attuned to the needs of their members and communities. They are unique tools that let Quebecers retake control of the economy, an endeavor worthy of our support.***
>
> *(Excerpt from a speech by the Minister for Industry and Trade, Ms Lucie Papineau, at the annual banquet of the Conseil de la coopération du Québec, March 18, 2002)*

The *Cooperative Development Policy* creates a new dynamic in the cooperative world, one that will provide cooperative enterprises with immeasurable assistance in meeting the challenges of the next few years.

These challenges are notably those of capitalization, diversification, competitiveness, and training. By clearly enunciating the support the government intends to provide in these areas, the *Cooperative Development Policy* opens up new development perspectives for all cooperatives.

With the courses of action it suggests and the measures it puts forward, the policy will help the Québec cooperative movement use all available resources to take its place in the economy of tomorrow and remain an example to all Quebecers.

By having new support measures, cooperatives are now better equipped to take advantage of business opportunities as they arise, diversify their activities into new sectors, and contribute even more actively to the social and economic development of Québec and its regions.

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APPENDIX 1

LIST OF ORGANIZATIONS OR BUSINESSES THAT SUBMITTED BRIEFS OR LETTERS OF COMMENT DURING THE CONSULTATION

COOPÉRATIVE MOVEMENT

Agropur, agrifood cooperative

Association coopérative d'économie familiale Rive-Sud de Québec

Club coopératif d'alimentation de Mont-Brun

Conférence des coopératives forestières du Québec

Confédération québécoise des coopératives d'habitation

Conseil de coopératisme étudiant de la région de Québec

Conseil de la coopération du Québec

Coop de vie communautaire La Chaîne

Coop de services de santé Robert-Verrier

Coop du collège de Limoilou

Coopérative de développement régional de la Montérégie "l'Intercoopérative"

Coopérative de développement régional du Bas-Saint-Laurent

Coopérative de développement régional Montréal-Laval

Coopérative de développement régional Outaouais-Laurentides

Coopérative de développement régional Québec-Appalaches

Coopérative de solidarité d'aide domestique La Maison Nicolet-Yamaska

Coopérative de travail Aténa

Coopérative des artisans et commerçants du Quartier Petit Champlain

Coopérative des techniciens ambulanciers du Québec métropolitain

Coopérative fédérée de Québec

Exceldor, poultry cooperative

Fédération des coopératives d'alimentation du Québec

Fédération des coopératives de développement régional du Québec

Fédération des coopératives de travailleurs actionnaires du Québec

Fédération des coopératives funéraires du Québec

Fédération des coopératives de services à domicile du Québec

Fédération des coopératives québécoises en milieu scolaire

Fédération québécoise des coopératives de travail

Habitat urbain de l'Outaouais

La Coopérative de solidarité Le Groupe Info-Vision

L'Actif, financial education and training cooperative

LOS PAJAROS, leisure, recreation, and travel solidarity cooperative

Mouvement des caisses Desjardins

Mutuelle des fonctionnaires du Québec (La Capitale financial group)

Orion, research and consulting cooperative

PARTNERS

Association des centres locaux de développement du Québec

Association des groupes de ressources techniques du Québec

Association des professionnels en développement économique du Québec

Association des régions du Québec

Barreau du Québec

Centrale des syndicats du Québec

Centre interdisciplinaire de recherche et d'information sur les entreprises collectives (CIRIEC)

Chambre des notaires du Québec

Chantier de l'économie sociale

Confédération des syndicats nationaux (CSN) et MCE Conseils

Conseil du patronat du Québec

Corporation de développement économique communautaire Centre-Nord

Fond*action*, a CSN development fund for cooperation and jobs; Fil*action*, a local investment and community development fund, and Caisse d'économie Desjardins des travailleuses et des travailleurs (Québec)

Groupe C-G-O

Institut de recherche et d'enseignement pour les coopératives, Université de Sherbrooke (IRECUS)

Ordre des comptables agréés du Québec

Regroupement québécois des coopérateurs et coopératrices du travail

Réseau québécois du crédit communautaire

Solidarité rurale du Québec

GOVERNMENT

Investissement Québec

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation

Ministère de l'Éducation

Ministère de l'Environnement

Ministère de l'Industrie et du Commerce :
- Deputy Ministers' Office
- Market Development Branch
- Industry Branch

Ministère de la Culture et des Communications

Ministère de la Famille et de l'Enfance

Ministère de la Justice

Ministère de la Recherche, de la Science et de la Technologie

Ministère de la Santé et des Services sociaux

Ministère des Affaires municipales et de la Métropole

Ministère des Finances

Ministère des Régions

Ministère des Relations avec les citoyens et de l'Immigration

Ministère des Relations internationales

Ministère des Ressources naturelles

Ministère des Transports

Ministère du Conseil exécutif

Ministère du Revenu

Régie du logement

Société d'habitation du Québec

Tourisme Québec

APPENDIX 2

COMPARATIVE TABLE: COOPERATIVES, COMPANIES, AND NONPROFIT ORGANIZATIONS (NPOs)

COOPERATIVE	COMPANY	NONPROFIT ORGANIZATION (NPO)
R.S.Q., C-67.2 Cooperatives Act The Act is administered by the Cooperatives Branch of the Industry and Commerce Division of the Ministère des Finances, de l'Économie et de la Recherche.	*R.S.Q., Section C-38, Companies Act, Part IA* The Act is administered by the Companies Branch of the Inspector General of Financial Institutions (IGFI).	*R.S.Q., C-38 Companies Act Part III* The Act is administered by the Companies Branch of the Inspector General of Financial Institutions (IGFI).
SHARING OWNERSHIP		
Common Share Common shares are registered. *Section 39.* Common shares have a par value of $10, except in student cooperatives. *Sections 41 and 221.5.*	**Bearer Share** A bearer share warrant entitles the bearer of the warrant to the shares specified therein. *Section 54 (par. 1 and 2).* Share capital is without par value unless otherwise stated. *Section 123.38.*	**Capital Stock or Share Capital** Nonexistent *Section 224*
Common Shares May Be Bought Back. The cooperative may repay, subject to certain conditions, the sums paid by the member in respect of common shares. *Sections 38, 38.1, 44 and 202.*	**Shares May Be Bought Back.** The Act contains certain special provisions regulating the purchase and buyback of shares at market value. Sections 123.52 and s.	Does not apply
Liability of Members The liability of members is limited to the amount of their subscription in respect of common shares. *Articles 309 and 315* of the Québec Civil Code	**Duties of Shareholders** The duties of shareholders are limited to capital stock. *Section 41.*	**Duty of members** The duty of members is limited to making a contribution fixed by regulation. *Section 222* Members are not personally responsible for the organization's debts. Section 226

COOPERATIVE	COMPANY	NONPROFIT ORGANIZATION (NPO)
SHARING RESPONSIBILITY		
One Member, One Vote No member is entitled to more than one vote, irrespective of the number of shares held. *Sections 4 and 68.*	**One Share, One Vote** Shareholders are entitled to as many votes as they hold shares in the company. *Section 102.*	**One Member, One Vote** Members may only cast one vote. However, the regulations may limit the right of certain kinds of members to vote. *Section 225*
Voting by Proxy Is Prohibited. No member may vote by proxy. *Section 4.* Unless otherwise provided for in the by-laws, a member may be represented by a non-member spouse or child of full age. *Section 69.*	**Voting by Proxy Is Permitted.** Each shareholder may vote by proxy through an authorized intermediary. *Sections 102 and 103.*	**Voting by Proxy Is Prohibited.** A member may not vote by proxy. *Section 224*
Powers of the Board of Directors Powers and duties of the cooperative board of directors. *Article 91,* *Articles 2130 and ss.* C.C.Q. Powers and duties of directors of a legal person. *Articles 321 to 330* C.C.Q. Duties in certain cases. Section *90 (par. 1 and 2)* Duties under other acts	**Duties of Boards of Directors** Role and duties of company mandataries. *Section 123.38,* *Sections 2130 and ss. C.C.Q.* Duties and responsibilities of directors of legal persons. *Sections 321 to 330 C.C.Q.* Duties in certain cases. *Sections 96, 123.58, 123.64, 123.69, 123.71, etc.* Duties under other acts.	**Duties of Boards of Directors** Role and duties as the organization's mandatary. *Article 321 C.C.Q.,* *Articles 2130 and s. C.C.Q.* Duties and responsibilities of directors of a legal person. *Articles 321 to 330 C.C.Q.* Duties in certain cases. *Section 95* Duty under other acts

COOPERATIVE	COMPANY	NONPROFIT ORGANIZATION (NPO)
SHARING EARNINGS		
Interest on Common Shares The Act decrees that no interest may be paid on common shares. However, it allows interest to be paid on preferred shares and limited by decision of the board of directors. Lastly, interest may be paid on participating preferred shares but must be limited by cooperative by-laws. *Sections 4 (par. 3), 42, 46, 49.1 and 49.4*	**Payment of Dividends on Shares Is Not Limited,** provided • The company is not insolvable • The payment of dividends would not render it insolvable or diminish its capital Section 123.70	Does not apply
Common Shares May Not Have a Surplus Section 147 decrees that in no case may the reserve be divided between members and auxiliary members. *Section 38.1* stipulates that only the sums received as payment for common shares of members that have resigned or been expulsed may be repaid. A non-member generally has no reason to pay a higher issue price to members for his or her shares as they can be bought at that price at the cooperative. The value of the reserve and the profitability of the cooperative have no influence on the value of its shares.	**Common Shares May Have a Surplus** Shareholders may sell their shares to another person after agreeing on a price. The profitability of the company and the value of retained earnings influence share price.	Does not apply

COOPERATIVE	COMPANY	NONPROFIT ORGANIZATION (NPO)
SHARING EARNINGS (cont'd)		
Allocation of Operating Surpluses and Surplus Earnings Annual operating surpluses are allocated to the reserve or distributed to members or auxiliary members in the form of patronage dividends in proportion to the business done by all members of the cooperative once the interest allocated to participating preferred shares has been deducted as participation in the operating surplus or surplus earnings, as the case may be. *Sections 4, 143, and 149.*	**Allocation of Profits** Profits may be distributed in the form of dividends by boards of directors according to the regulations for the various share categories. They may also be reinvested in the company. *Section 123.70*	**Allocation of Surplus** Members of a nonprofit organization are not entitled to the organization's assets or revenues. In addition, the organization does not pay its members dividends.
Winding Up In the case of a winding-up, the shareholder only has the right to the amounts paid on the shares. The liquidator shall first pay the debts of the cooperative as well as the costs of winding up and repay members for the price of their shares according to the priorities established by the by-laws. Once payments are made, the balance of the assets are transferred to a cooperative, federation, confederation, or the Conseil de la coopération du Québec by means of a resolution adopted by a majority of votes cast. *Section 185.* This condition does not apply to agricultural cooperatives. *Section 208.*	**Winding Up** In the case of a winding-up, the holder of a common share participates in the distribution of net assets. *Section 123.40* The liquidator first pays the debts of the company as well as the costs of winding it up, then distributes the balance of the assets among shareholders according to their rights and interests in the company. *Section 12 of the Winding-Up Act, R.S.Q., c. L-4*	**Winding Up** In the case of a winding-up, members do not generally participate in the distribution of the organization's assets. The letters patent of most nonprofit organizations require that residual assets be turned over to another organization working toward the same ends. In such cases, members are not entitled to the organization's assets. *Sections 28(2), 31(Q) and 224* However, if the letters patent are silent on the matter, members are entitled to proportionately distribute the assets among themselves.

APPENDIX 3

THE COOPERATIVE PRINCIPLES OF THE INTERNATIONAL COOPERATIVE ALLIANCE (ICA)

FIRST PRINCIPLE
Voluntary and Open Membership

Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

SECOND PRINCIPLE
Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner.

THIRD PRINCIPLE
Member Economic Participation

Members contribute equitably to and democratically control the capital of their cooperative. At least part of the capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

FOURTH PRINCIPLE
Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

FIFTH PRINCIPLE
Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

SIXTH PRINCIPLE
Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

SEVENTH PRINCIPLE
Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

APPENDIX 4

COOPERATIVES: KEY PLAYERS IN MANY SPHERES OF ECONOMIC ACTIVITY

This section describes the main cooperative sectors and the challenges each will face over the next few years.

FINANCIAL SERVICES COOPERATIVES

In 2000, Mouvement des caisses Desjardins was the largest cooperative network, financial institution, and private employer in Québec, with over 36,400 employees. The network had $6 billion in revenues and managed assets worth $76.1 billion.

Mouvement des caisses Desjardins in 2000 included 972 affiliated financial services cooperatives whose main activities centered on loans and personal savings. These cooperatives also provided services to business members through 51 business financial centers (BFC). The high profile of Desjardins in the Québec market is borne out by a number of impressive statistics. Mouvement des caisses Desjardins manages 47.1% of all deposits, 21.6% of RRSPs, and 15.2% of securities in Québec. In terms of financing, Mouvement Desjardins holds a large chunk of the market with 38% of mortgage loans, 30.2% of personal loans, and 41.2% of agricultural loans. Moreover, it is important to stress that Mouvement Desjardins is by far the most active financial institution in financing cooperatives in Québec.

Mouvement Desjardins is made up of a number of units, including Caisse centrale Desjardins, Investissement Desjardins, Société immobilière Place Desjardins, and Société financière Desjardins-Laurentienne with its numerous subsidiaries that are particularly active in insurance and specialized financial services (Desjardins Financial Security, Groupe Desjardins assurances générales, Fiducie Desjardins, etc.). For health and life insurance, Mouvement Desjardins is number one in Québec; it had 16.6% of the market in 2000. In damage insurance, it holds 12.1% of the market. Its fiduciary activities are also very big, with 41.3% Québec market share.

In 2001, Desjardins launched a number of development initiatives, two of which deserve special mention. One was the first phase of construction of E-Commerce Place, a highly structuring project. The other was the debut of the financial activities of Capital régional and coopératif Desjardins.

Because of its presence in many markets, Desjardins faces multiple challenges. However, the biggest challenge—implementing a single federation—was successfully overcome. The reconfiguration of Desjardins' network of caisses, which involved numerous mergers, is also far along. The successful transformation of Mouvement Desjardins has yielded record financial results and universal acclaim, with the organization being named "Business of the Year" in 2002 by the business journal Les Affaires.

The Corporate Renewal project is another noteworthy endeavor by Desjardins, one aimed at reaffirming its cooperative nature, adding new vigor to its caisses' associational and democratic practices, and doing its utmost to help caisses carry out their mission (results will be presented at an orientation meeting in March 2003).

Among Mouvement Desjardins' many challenges is that of continuing to improve its competitiveness to maintain and increase its market share while keeping and emphasizing its cooperative uniqueness. Another big challenge is to increase its presence in certain niche markets and markets outside Québec.

MUTUAL INSURANCE

Some of the biggest players in Québec's insurance market are mutuals, including large institutions such as Mutuelle SSQ, La Capitale[20], as well as Groupe Promutuel, which is made up of 35 mutual insurance companies across Québec. Groupe Promutuel has just celebrated its 150th anniversary, which makes it the oldest enterprise in the cooperative sector.

Mutuals mainly offer life, accident, and health insurance (personal insurance). Groupe Promutuel and La Capitale, however, specialize more in damage insurance.

In 2000, mutuals provided coverage to over 1.3 million insureds and employed some 3,500 people. They generated revenues in excess of $1.5 billion per year from managed assets totaling over $3.8 billion. Some mutuals have big market share, like Mutuelle SSQ, which ranks first in Québec in group insurance and fourth in life and health insurance. What's more, Groupe Promutuel and La Capitale are respectively ranked fifth and seventh in Québec in damage insurance.

The mutual insurance sector has undergone major changes over the last decade. These changes have led to the demutualization of certain companies. The tight insurance market has placed heavy pressure on small and medium-sized insurance companies, mutuals included. In some cases, companies have been obliged to enter into partnerships to increase their capitalization, or even restructure to streamline operations and better target promising sectors. "Targeting" special markets and improving competitiveness will be ongoing for the next few years.

20. La Capitale is owned by Mutuelle des fonctionnaires du Québec, a management corporation.

AGRIFOOD SECTOR

The agrifood sector is by far the largest one outside of financial services. In 2000, the sector had revenues of $5.2 billion and included 194 companies and 32,928 members, employing 15,093 people. It is at the very heart of Québec's economy.

Agrifood cooperatives can be divided into four groups:

1) Processing cooperatives (dairy, meat, and other agrifood products)
2) Farm supply cooperatives
3) Farm equipment and labor pools
4) Other cooperatives (the majority of which are in new areas of initiative)

The agrifood sector is dominated by two huge organizations: Coopérative fédérée de Québec and Agropur. Coopérative fédérée de Québec is active in three main areas: meat processing, farm supply, and the sale of petroleum products. As a federation, it serves as a wholesaler for numerous agricultural inputs. As for Agropur, it is the Canadian coop leader in dairy products. This cooperative, which has recorded nearly $2 billion in sales, includes almost half of the dairy farmers in Québec and is renowned for its serious commitment to research and developing new products in the field. It has also been very active for a number of years in organizing events and training for cooperatives, which has fostered a sense of belonging and made members feel they contribute to the enterprise.

Québec agrifood coops are key players, if not leaders, in major areas of production. In 2000[21], they processed and brought to market 59% of all milk, 55% of all pork, and 85% of poultry products in Québec. They accounted for over 40% of maple products, mainly through the Citadelle cooperative, and were also leaders in exporting the above products, except for poultry. For example, in 2000, Coopérative fédérée de Québec exported over $500 million in agrifood products.

21. Data obtained from Coopérative fédérée de Québec.

Farm supply coops and farm equipment and labor pools (FELPs) aim to reduce production costs for agricultural producers. The former supply inputs to producers at the lowest possible price and the latter provide shared machinery, and, in some cases, labor. Though supply coops date back to the turn of the century, FELPs appeared just over ten years ago. Inspired by the French model, there are nearly sixty of them. These cooperatives help agricultural producers save money by substantially reducing their investments in farm machinery.

Lastly, cooperatives for producers of specialty products help increase the number of new offerings by providing technical support and marketing services.

There are a number of challenges in the agrifood sector. The main ones are the fierce competition between grocery stores and the presence of large chains. Indeed, three large chains control 80% of the Québec retail food market. A decreasing number of buyers, combined with an increasingly concentrated market for competing processors, has led to stiff competition, which directly affects profit margins.

In order to keep their processing costs competitive, cooperatives intend to be on the lookout for acquisitions[22] or mergers (with other cooperatives) and invest in researching new value-added products while optimizing their production facilities. These big challenges will require a great deal of effort and new sources of capital over the next few years. Coopérative fédérée de Québec and its network of affiliated cooperatives thus plan to invest a billion dollars over ten years to become more competitive and improve their entire production system. In addition to its economic initiatives, the federation also intends to actively encourage all forms of training with the recent creation of its Académie Coop.

As for farm supply coops, competition is also increasing in this sector. Expanding product lines, after-sales service, and systematic cost control are the main issues.

As for FELPs, the need to reduce farm costs coupled with the excellent reputation that FELPs enjoy should lead to a steady increase in the formula's popularity. The FELP model can also be expected to spread, especially the labor sharing aspect, given the growing shortage of qualified agricultural workers in certain areas of production.

Lastly, producer coops in specialized areas should also continue to grow apace, especially specialty farmhouse production. These coops will give member farmers an opportunity to share their expertise, make group purchases, and develop niche markets for their products.

FORESTRY SECTOR

Forestry cooperatives are active in four main areas: harvesting, forest management, processing, and production of seedlings for reforestation. They are also involved in forestry-related activities such as wildlife management and work involving various forest techniques.

In 2000, Québec's 69 active forestry coops and their subsidiaries generated sales of $423 million, a 44% increase over 1995. These enterprises are primarily active in public forests and hold a significant share of the forest management and harvesting markets. They perform nearly 50% of

22 For example, Coopérative fédérée de Québec recently acquired a leading pork slaughterhouse and processing plant in Alberta and Agropur made a first acquisition in the United States in the fine cheese industry.

the silvicultural work in public forests[23], 50% of it in reforestation. They harvest 20% of the timber on public lands and produce 16% of the seedlings used in reforestation. They also produce 412 mmbf[24] of wood per year, 5% of Québec's total production.

Between 1995 and 2000, these enterprises saw their workforce increase by 29%, from 5,259 to 6,826. From 1996 to 2000, they invested nearly $100 million in new secondary processing projects.

After several years of rapid growth, the cooperative forestry sector is traversing a difficult period. The industry has been seriously disrupted by the softwood lumber dispute with the United States, which has affected the lumber market as well as harvesting and forest management operations.

At present, the cooperative forestry sector is the only large cooperative sector that is not organized along federative lines. Current difficulties have drawn attention to how isolated forestry coops are in the face of economic cycles and competitors. A number of promising joint initiatives have been implemented to foster greater cooperation, including an environmental certification project for forestry practices, measures in workforce qualification and training, and sharing of forest management expertise. In addition, coops are beginning to share their knowledge about coop operations. Apart from these positive steps, however, the weakness of the network prevents forestry sector coops from benefiting from the coaching services normally offered by coop federations. This is an alarming situation for coop survival. A closer examination of networking opportunities in the forestry sector would be most timely.

Aside from the matter of network operations, forestry cooperatives will have various other challenges to face in the years ahead. With the implementation of the new forest management system, these enterprises will have to try to capture a significant share of the market for intense forest management operations, the goal of which is to move from sustained yield to increased yield. They will also have to consolidate their position in the processing sector. Lastly, solidifying their cooperative foundations is another major challenge facing the sector.

HOUSING SECTOR

Housing cooperatives form the largest group of cooperatives in Québec for their number. The 1,086 cooperatives reporting as of December 31, 2000, represented 23,417 members, managed housing stock valued at $882 million, and generated revenues of $142 million. Housing cooperatives are found throughout Québec, but are concentrated in urban areas.

Québec housing coops are, with rare exceptions, rental coops that operate on a continuous possession basis. They do not pay dividends to their members and, to ensure sustainability and intergenerational equity, members never become individual owners of their units. Almost all housing coops have benefited from funding programs run by the Canadian Mortgage and Housing Corporation (CMHC) or the Société d'habitation du Québec (SHQ), and sometimes both, to conduct their projects.

These cooperatives are designed for people who cannot afford home or condominium ownership and who want democratic, community-based

23. Public forests represent 80% of Quebec's total forest lands.

24. Million board feet.

control over their housing. A diversity of tenants is one of the key characteristics of these coops, and even a prerequisite to their success.

Housing coops are characterized by their small size (20 units on average), intense user relationship (exclusive service, daily and family use), a significant volunteer commitment by member residents, and in consequence, a small number of employees. Member participation results in lower rent and also offers benefits from a personal development perspective (training in financial, real estate, and associational management). Despite its size, this network is still largely managed and administered by volunteers.

Given the size of these coops and the interest of their members in maintaining low rents, housing cooperatives have not generally sought out independent means of development. Growth in the sector has been tributary to social and community housing programs set up by SHQ and CMHC, as well as by technical resource groups.

Through its federated and confederated bodies, the cooperative housing movement intends to get more active and involved in the development of the sector. The long-term survival of cooperative housing stock and various associational, financial, and real estate issues encountered over the years are among the concerns that call for consolidation in the sector. To this effect, the Confédération québécoise des coopératives d'habitation (CQCH) and its members plan to take on a greater role in defining development in the sector.

An important challenge is to develop and maintain dynamic, thriving cooperatives that are both focused on the needs of their members and open to solidarity with cooperatives as whole. Finding a balance between these two concerns will obviously entail respecting cooperatives' autonomy while recognizing the contributions of cooperative networks.

The cooperative housing movement will also have to shore up its sectoral organizations as well as consolidate and harmonize their services. The hope is that these organizations will be more able to work toward the long term viability of the housing stock, both from a physical and legal ownership perspective, and the continuance of measures providing access to housing to all members regardless of income while ensuring intergenerational equity.

Certain scenarios should be explored to see how the cooperative housing model could meet the needs of an aging population, which sometimes has the wherewithal for greater capitalization. The ability of the formula to meet the needs of other groups or compensate for a lack of nearby services could also be explored. This sector will also face the challenge of gauging its potential for self-development and the measures that could encourage it.

GROCERY SECTOR

In 2000, 68 cooperatives were active in general foods (ten of which operated as clubs), and twelve were active in specialty foods. In the past twenty years, the grocery sector has been the one hit hardest by market conditions. While over 200 cooperatives were in operation in the late seventies, only a third of them still exist today. This decrease is strongly tied to the bankruptcy of the Fédération des magasins coop (FMC) in the early eighties, the exodus of people from rural and semi-urban regions where most businesses were concentrated, and improved transportation links to cities with their larger stores. In addition, the sharp increase in competition in the sector has left cooperatives with very little room to maneuver.

These enterprises recorded sales of $356 million in 2000 and controlled some 2% of the Québec food market. Though they have no presence in all of western Québec (including Montréal), they nonetheless have a large market share in certain regions like Gaspésie and Îles-de-la-Madeleine (24%), Bas-Saint-Laurent (18%), and Chaudière-Appalaches (12%). They employ over 2,000 people.

The arrival of the Fédération des coopératives d'alimentation du Québec, even though it was not a wholesaler, stopped the hemorrhage the sector had been experiencing for a number of years. Some small towns even saw new coop stores open. However, the future of the sector remains precarious for largely demographic reasons, which explains why sales in the sector have been stagnant in recent years.

Through their federation, grocery cooperatives face the challenge of developing or consolidating wholesale purchases of goods and service to cut costs and remain competitive. The concept of a multiservice cooperative offering different services under the same roof (post office, cleaner, Internet access, etc.) could also prove promising, especially for small towns wishing to consolidate certain local services.

SCHOOL SECTOR

School cooperatives are a great entrepreneurial training grounds and a big source of future coop managers and administrators. These businesses have grown rapidly over the last 15 years and have become fixtures in high schools, colleges, and universities. In 2000, there were 90 school coops that recorded sales of $117 million. They have a large member base and employ close to 1,000 people, a substantial number of them students.

School coops are found in teaching establishments and sell school materials, textbooks, computer equipment, clothes, and other goods. Many also offer management services for driving schools, parking lots, or cafeterias. These businesses—especially those in colleges and universities—are part of the Fédération des coopératives québécoises en milieu scolaire. This federation began in the mid-eighties and has created greater cohesion among coops, bringing them together in a solid and innovative network.

School coops face major challenges, including fierce competition from book and computer e-tailers. In fact, they are the first coops to have ventured into the world of e-commerce on a broad scale, and are taking action to become nimble, versatile players in this new domain. Many coops also intend to broaden the scope of their activities over the next few years (managing cafeterias and parking lots, selling school notes, providing IT services, etc.).

ABORIGINAL COOPERATIVES

Aboriginal cooperatives were formed in 1959 and 1982. There are 16 coops in as many communities in Nouveau-Québec. These mixed cooperatives (consumer and producer) supply their members with a variety of products and services, such as basic foodstuffs, gas, transportation, restaurant meals, and recreational services. Through their federation, they are also responsible for marketing handicrafts from Northern Québec.

The Inuit and Amerindian cooperatives in the Fédération des coopératives du Nouveau-Québec record annual sales of close to $102 million and have over 5,600 members. They employ 300 people and are by far the largest private employer in

Northern Québec. These businesses are an example of people successfully taking charge of their destiny. Run by members of the community, they have helped train Inuit and Amerindian managers and generate structured economic activity in near-total isolation from main centers.

The main challenge for these businesses is to remain competitive and prepare for the eventual arrival of new forms of competition. Modernizing their petroleum facilities is another item that will require substantial investment. Lastly, broadening their activities into other areas is another option these businesses could explore over the short and medium term.

FUNERAL SECTOR

Funeral coops have been very active in Québec since 1996. These enterprises, which are grouped together under the Fédération des coopératives funéraires du Québec, have adopted an ambitious action plan aimed at substantially boosting their market share. To this end, they invested over $27 million in 1996 and acquired some dozen private firms.

In recent years, the Québec funeral sector has come under very intense pressure from foreign multinationals. These organizations have made a number of major acquisitions and now control a significant portion of the Québec funeral market.

Not only have funeral coops resisted this foreign takeover, but between 1995 and 2000 they actually saw the number of deaths they handled rise 58%. They boosted sales from $10 million in 1995 to $21.5 million in 2000 through acquisitions and the opening of new funeral complexes.

Funeral coops have had an obvious moderating impact on prices in the sector, particularly since the 1970s. Whereas in 1972 the average cost per deceased was 20% higher in Québec than in the rest of Canada, in 1993 average funerals were 13% less expensive in Québec than in Canada. In addition, funeral coop users pay 43% less on average than Quebecers as a whole. The introduction of funeral coops has also had a direct impact on the casket and funeral product industry, as the coops buy almost exclusively from Québec businesses through a buying pool.

The first challenge for funeral coops is to make inroads in the Greater Montréal area, from which they are currently absent. Moreover, funeral coops must remain on the lookout for family enterprises that come up for sale for lack of family members to take over the reins. They must also pursue their efforts to achieve greater visibility and must increase their promotional efforts to grab new market share, particularly in the prearranged funeral market, which will be the cornerstone of future success.

TABLE 5

Change in Funeral Cooperatives, 1995 to 2000

	1995	2000	Variation
Number of cooperatives	31	34	10.0%
Sales	$10 million	$21.5 million	115.0%
Estimated Market Share	7.0%	11.9%	70.0%

Sources: Fédération des coopératives funéraires du Québec, Analyse de la situation financière des coopératives funéraires, March 2000. Cooperatives Branch, MFER.

AMBULANCE SECTOR

There are only six ambulance cooperatives in Québec, but they serve broad and heavily populated geographic areas: Gatineau, Trois-Rivières, Sherbrooke, the Montérégie area, Greater Québec City, Rivière-du-Loup and area, a part of the Saguenay, and Témiscouata.

Ambulance cooperatives employ over 670 workers and do over $38 million in business a year. The field is not easy to enter and is highly regulated and monitored. Cooperatives account for over 20% of the Québec market and, in each case, enjoy a virtual market monopoly. These enterprises, which existed before they were turned into cooperatives, are unionized. They are an excellent laboratory for the study of unions in the cooperative environment.

Progressive introduction of the measures from the Dicaire Report in 2000 should lead to a new approach to ambulance services and an overhaul of ambulance technician training and intervention methods. More and more, these cooperatives will be diversifying their operations and offering other types of transport. They should also be on the lookout for acquisition opportunities, seeing as certain small, private firms are expected to come up for sale in the coming years. Integrating the workers from these firms will also present challenges in terms of strengthening the cooperative nature of the enterprises.

HOMECARE SECTOR

The aging population has created new needs for various personal services. The homecare sector has grown by leaps and bounds since the Economy and Employment Summit of 1996. In 2000, there were 48 cooperatives, compared to only three before the event. By picking up a part of the cost of domestic help services, the Financial Assistance Program for Domestic Help Services (FAPDHS) introduced in the Summit's wake has spurred the development of this market, much of which was under the table before. All told, 42 cooperatives are registered under the program.

Among the 48 domestic help cooperatives, 29 are solidarity cooperatives, 13 are consumer cooperatives, and six are work cooperatives. In 2000, they had a total of 20,400 members and annual sales of over $28 million. This compares to less than $1 million in revenues before 1995. Also in 2000, 2,100 people worked for these enterprises, occupying nearly 45% of the market for such services. The exponential growth of the cooperatives was also remarkable. Seventeen already employed over 50 workers. What's more, a majority of the cooperatives were still very young, having been in existence for less than six years.

The whole sector of homecare and related services should grow considerably in the next few years. Domestic help cooperatives, like nonprofit organizations in the field, have concluded a number of fruitful partnerships with local community service centers (CLSCs) and other healthcare and social service establishments.

The primary challenges for these cooperatives will be to manage fast growth on the one hand and strengthen their networking on the other via their sectoral federation in order to achieve economies of scale and greater efficiency in the services they provide. Implementing standards of service quality through a certification process would also be worthwhile. These enterprises will also need to seek out opportunities to diversify their clientele.

INTERNATIONAL DEVELOPMENT

The Québec cooperative movement has been exporting its know-how to countries all over the world for years now. Québec organizations involved in international cooperation are responsible for almost three-quarters of Canadian contracts in the field. The total market is estimated at some $40 million annually. It is served by organizations such as Développement international Desjardins (DID), SOCODEVI (Société de coopération pour le développement international), and CECI (Canadian Centre for International Studies and Cooperation). A prominent role is also played on the educational side by IRECUS, the research and teaching institute for cooperatives at Université de Sherbrooke.

Québec cooperative expertise in savings and credit, agriculture, and forestry has raised Québec's visibility in a number of countries, which benefit from the helping hand it provides. Broadening Québec's scope of action and establishing new partnerships are major challenges in the field.

APPENDIX 5

ACRONYMS USED

QUÉBEC GOUVERNMENT DEPARTMENTS

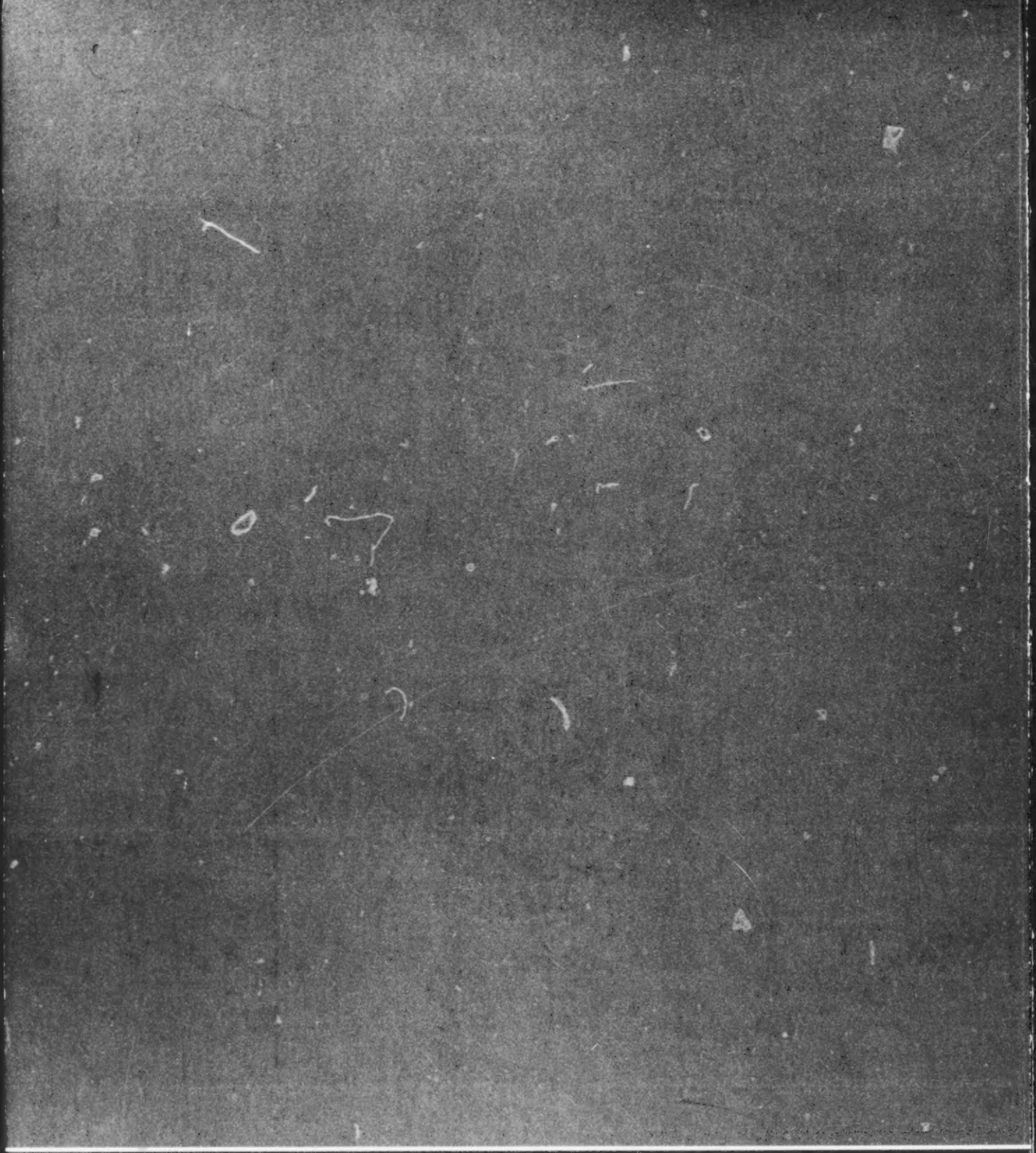
MAMM	Ministère des Affaires municipales et de la Métropole
MAPAQ	Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec
MEQ	Ministère de l'Éducation du Québec
MESS	Ministère de l'Emploi et de la Solidarité sociale
MRCI	Ministère des Relations avec les citoyens et de l'Immigration
MFER	Ministère des Finances, de l'Économie et de la Recherche
MIC	Ministère de l'Industrie et du Commerce
MJUS	Ministère de la Justice
MREG	Ministère des Régions
MRN	Ministère des Ressources naturelles
MRQ	Ministère du Revenu du Québec
MSSS	Ministère de la Santé et des Services sociaux

QUÉBEC GOVERNMENT AGENCIES

CDPQ	Caisse de dépôt et placement du Québec
IQ	Investissement Québec
SGF-Soquia	Société québécoise d'initiatives agroalimentaires (a subsidiary of Société générale de financement)
SHQ	Société d'habitation du Québec

COOPERATIVE ORGANIZATIONS AND OTHERS

ACLDQ	Association des centres locaux de développement du Québec
CCQ	Conseil de la coopération du Québec
CDEC	Corporation de développement économique communautaire
CDR	Coopérative de développement régional
CFQ	Coopérative fédérée de Québec
CLD	Centre local de développement
CLE	Centre local d'emploi
CQCH	Confédération québécoise des coopératives d'habitation
CRCD	Capital régional et coopératif Desjardins
CSMO	Comité sectoriel de la main-d'œuvre, de l'économie sociale et de l'action communautaire
FCDRQ	Fédération des coopératives de développement régional du Québec
SADC	Société d'aide au développement des collectivités



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